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Director of Publicity,
Government of Bombay, Bombay.

INCREASE IN MUNICIPAL TAXAT
IN BOMBAY

--
GOVERNMENT LOAN TO HELP
WORKS PROGRAMME
--

Financial Assistance
Committee's Report
--

An increase of three per cent in the immediate future by the Bombay Municipal Corporation by the Committee appointed by the Government to study the financial position of the Corporation. The Committee is of the opinion that the gap between the potential income of the Corporation and its expenditure would be about Rs.66 lakhs, out of which Rs.11 lakhs would be provided by the increase in the ~~tax~~ ^{Gover}ment Education and the rest, i.e. Rs.55 lakhs, would be provided by the proposed increased tax. This increase, however, must be accompanied by a corresponding increase in the rate of Urban Immovable Property. It is the definite opinion that property in the city is already very heavily taxed and it cannot bear any additional tax, particularly if an incentive to new building is to be given. A reduction should, however, be uniform, both in the case of those rateable value exceeds Rs.2,000 as also in the case of those whose rateable value is less than Rs.2,000.

The demand of the Municipality

"Increase In Bombay Municipal

administration.

After the commencement of the war, due which was not compensated for by a corresponding increase in the Corporation began to find it increasingly difficult to meet its budgets and this made it to renew its old revenue. The Government, while holding that the need for financial assistance stated that they should assist the Municipality in the post-war period Reconstruction programme. In 1946-47, the Corporation increased the pay scales of its staff and thereby incurred a crore of rupees. This made its financial position difficult and a conference was held in January 1947 between the Corporation and the Government to discuss the result of the Conference, the Government agreed to grant a non-recurring grant of Rs.30 lakhs for the Corporation and appointed a Committee to examine the whole question of assistance to the Municipality. Mr. A.D. Shroff, Mr. J. B. P. of the Committee and Prof. C.N. Vakil and Mr. S. were its members. The Committee has now made its recommendations which are based on a period of five years and at the end of that period.

The Committee recommends that the present rate of 17 per cent for the general tax should be maintained, the rate of tax is 14% of the rate at present. If the recommendation of the Committee is accepted,

Increase In Bombay Municipal Taxation...contd.

the Municipality a loan to meet the expenditure a till March 31, 1953. The loan would, however, be maximum of 8½ lakhs of rupees and should be repay instalments, the first instalment in each case be years after the grant of the loan. In case the G impossible to accept its recommendation regarding Committee thinks that it will be necessary for th give the Municipality an additional grant-in-aid raise necessary loans.

(3) The rate of Municipal contribution t continue at 2%

(4) The Government should appoint a comp with the requisite status and experience, to exam of retrenchment in the several departments of the

(5) The Municipality should introduce me of accountancy. It should secure a better lay-out arrangements in the several offices. Expert firm Ibccon Ltd., may also be consulted regarding the the departments.

The Committee also recommends the modif functions and constitution of the Schools Commit

Copies of the report are available for at the Government Book Depot, Charni Road, Bomba

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SECTION I.

INTRODUCTORY.

1. *Terms of Reference.*—The appointment of the Committee was sanctioned under the Resolution of Government in the Finance Department, No. 6797/33, dated 19th April 1947 (Appendix I). The directions of Government to the Committee as contained in the Resolution are as under :—

To examine the finances of the Bombay Municipal Corporation with a view to making recommendations to the Government of Bombay on the following matters :

(i) Whether the Municipality should be given further financial assistance from Provincial Revenues ; and if so,

(ii) What the extent and form of such assistance should be.

2. In examining the financial position of the Corporation the Committee should be requested to take into account the scope of expansion of the sources of revenue open to the Municipality and the scope of curtailment of the expenditure incurred by it.

3. *Circumstances leading to the appointment of the Committee.*—The demand of the Municipality for financial assistance from Government is a very old one and has been intermittently under discussion between it and Government since before 1930. The demand was based mainly on two grounds :

(1) that there are certain taxes such as the Entertainment Tax, the Betting Tax, etc., which are in the nature of local taxes and should be available to the Municipality and by appropriating these taxes to its own use Government had encroached on the Municipal field of taxation ;

(2) that additional revenue was absolutely necessary if the Corporation was to maintain a satisfactory standard of civic administration.

4. A great deal of correspondence took place between the Corporation and Government in respect of the matter. Some conferences between the representatives of the two were also held. They did not, however, lead to anything concrete, Government generally taking the view that the Corporation's claims were unjustified and its estimates of revenue placed too low and of expenditure exaggerated.

5. After the commencement of the war, due to rising costs which were not compensated for by a corresponding rise in income, the Corporation began to find it increasingly difficult to balance its budgets and this led it to renew its old demand for additional revenue. Government while holding that there was no immediate need of financial assistance, stated that they would be prepared to assist the Municipality, in the post-war period for financing its Reconstruction programme and informed the Corporation accordingly under their letter No. 531/33-A of the General Department dated 17th October 1945 (Appendix III). In 1946-47 the Corporation reviewed the pay-scales of its staff and thereby incurred an additional recurring liability of about a crore of rupees. This made its financial position still worse and a conference was held in January 1947 between the representatives of the Corporation and Government to discuss the matter. As a result of the conference, Government agreed to give a non-recurring grant of Rs. 30 lakhs for the budget year 1947-48 and to appoint a Committee to examine the whole question of financial assistance to the Municipality.

6. *Personnel of the Committee.*—The Committee was accordingly appointed in April 1947 originally with Sir Ghulam Mohammed as the Chairman and Prof. C. N. Vakil and Mr. B. M. Gupte, M.L.A., as members. Due to other engagements, Sir Ghulam Mohammed did not find it possible to continue on the Committee and he resigned his Chairmanship in June 1947. Government accepted the resignation and appointed Mr. A. D. Shroff as Chairman under Government Resolution, Finance Department, No. 6797/33, dated 29th July 1947 (Appendix II).

7. *Procedure adopted.*—The procedure adopted by the Committee was that the Municipality was first asked to submit a memorandum giving in detail the grounds on which it based its claim for financial assistance. The Municipality submitted its case in October 1947. This is reproduced in Appendix IV. Government were then asked to reply to the points raised by the Municipality. Government's reply was received in February 1948 and is given in Appendix V. The Committee then proceeded to examine the matter in the light of the memoranda submitted by the Corporation and Government.

8. Besides, the Committee had written to a number of public men soliciting their views on the matter under enquiry. A Press Note inviting any other interested persons and institutions to communicate their views to the Committee was also issued. Memoranda were submitted by Sir Ardeshir Dalal, Mr. M. D. Bhat, I.C.S., Mr. Jamnadas Mehta and the Bombay Tenants' Association. They are given in Appendix VI.

SECTION II.

MUNICIPAL INCOME.

9. *Sources of Income.*—The Municipality derives its income mainly from the levy of taxes, charges for water supplied by meter measurement, licence fees, stallage charges, etc., received from Municipal markets and Slaughter houses, and a grant from Bombay Government for Primary Education.

10. The taxes which the Municipality is empowered to levy under section 139 of the City of Bombay Municipal Act are (i) Property Taxes, (ii) a tax on vehicles and animals and (iii) town duties. Of these the most important are the Property Taxes which yielded more than 60 per cent. of the gross revenue in the past. Recently, however, they have fallen to nearly 50 per cent. on account of a proportionately greater increase in revenue from other sources.

11. *Rateable Value.*—Property Taxes are assessed on the rateable value of property. Rateable value is defined as nine-tenths of the annual rental value. The rental value is defined not as the actual rent which the property may be fetching but as the rent which the property may be reasonably expected to fetch from year to year under normal conditions.

12. For the calculation of rateable value, rent is, however, taken after deducting payment on account of Water Tax and the Halalkhor Tax. If these are included, rateable value amounts to about 85 per cent. of rent.

13. *Property Taxes.*—Property Taxes comprise the following four taxes, viz.:—

(i) General Tax leviable at a rate not less than eight and not more than 17 per cent. of rateable value ;

(ii) Halalkhor Tax leviable at not more than 3 per cent. ;

(iii) Fire Tax leviable at not less than $\frac{1}{8}$ th and not more than $\frac{3}{4}$ th per cent. and

(iv) Water Tax at such rate as the Corporation may consider reasonable with reference to the expenses of providing the water supply to the City.

14. *Rates of Taxes.*—The General Tax continued to be levied at 11 per cent. from 1936–37 to 1944–45. In 1944–45 it was raised to 12 per cent. and again to 14 per cent. next year.

15. The rate of Halalkhor Tax has all along been 3 per cent. while Water Tax is levied at $3\frac{3}{4}$ per cent. Fire Tax was levied at $\frac{1}{2}$ per cent. but it has been raised to $\frac{3}{4}$ per cent. from October 1947.

16. *Meter Charges for Water Supply.*—Section 169 of the Municipal Act authorises the Municipality to charge for the water supplied to any premises by meter measurement instead of levying the Water Tax in respect of them. Accordingly, for water supplied to Mills, Railways, the Port Trust, Turf Club, etc., and generally when the supply is required for other than domestic use, charges are levied by measurement at different rates laid down by the Municipality. These charges yield substantial proportion of the total revenue.

17. The Mills which were charged at the rate of Rs. 1–8–0 per thousand gallons in 1946–47 filed a suit against the Corporation contending that the charges levied should have some relation to the cost of providing the water. As the Corporation

was legally advised that this contention of the Mills had some substance a compromise was arrived at by which the old rate of Rs. 1-1-0 was restored, the reduced rate to remain in force till the end of 1949-50. This has resulted in a fall of about Rs. 13 lakhs in the revenue from this source. The Municipal Act has now been amended so that with effect from the year 1950-51 the Municipality will be able to charge at higher rates again.

18. Under section 192 of the Municipal Act the Municipality is authorised to levy town duty on the import into the city of certain commodities mentioned in Schedule H of the Act. The Schedule has been recently revised and the income from this source has risen from Rs. 20 lakhs to Rs. 50 lakhs.

19. Amongst other miscellaneous sources of revenue the Municipality derive at present about Rs. 30 lakhs from markets and slaughter houses and about Rs. 20 lakhs from vehicles and animals kept within the City.

20. The Municipality has recently acquired the Bombay Electric Supply and Tramway Company which may become a substantial source of revenue in future.

21. The Municipality also receives from Government fixed annual grant of about Rs. 10 lakhs for Primary Education.

22. The growth of income under the various heads is shown in the table below :—

TABLE No. I.

		Rupees lakhs.										
		39-40	40-41	41-42	42-43	43-44	44-45	45-46	46-47	47-48	48-49	
Property Taxes .. .. .	..	214	221	220	231	242	249	280	311	333	338
Charges for water supplied by measurement .. .. .	..	44	44	50	54	61	71	86	107	85	87
Town Duties .. .. .	..	14	14	18	15	16	19	21	16	54	65
Wheel Tax .. .. .	..	13	14	15	18	16	18	19	19	21	22
Markets and Slaughter houses .. .. .	..	13	14	14	15	18	20	21	23	20	28
Sale of surplus lands .. .. .	..	16	16	15	15	15	15	14	14	15	9
Grant for Primary Education .. .. .	..	..	10	10	10	9	10	10	10	10	10
Miscellaneous items .. .. .	..	24	23	25	31	27	28	36	37	40	44
Total .. .. .	..	338	356	367	389	404	430	487	537	587	603

(Note.—The figures are the actuals for the years up to 1946-47, revised estimates for 1947-48 and budget estimates for 1948-49.)

23. As stated before, in 1947-48, Government gave to the Corporation a special non-recurring grant of Rs. 30 lakhs. Similarly a grant of Rs. 50 lakhs was given for the year 1948-49. The figures of income given in the table are exclusive of these grants.

24. It will be seen that as compared to 1939-40 the budgeted income of 1948-49 shows an increase of 73 per cent.

25. The yield of property taxes show an increase of 57 per cent. during the period. This increase is partly accounted for by the increase in the rateable value which rose from Rs. 139.8 lakhs to Rs. 171.4 lakhs (by 21 per cent.) and partly by the increase in the rates. In 1938-39 the property taxes together amounted to 18½ per cent. of the rateable value as against 21½ per cent. in 1948-49.

26. *Effect of Rent Control Acts.*—Rents have been controlled at pre-war levels under the Rent Control Act. Increase in rent beyond that obtaining in 1940 is not permitted. Thus, though prices in general have risen by about 250 per cent. valuation of property has not risen in step with it. The increase of 21 per cent. in rateable value referred to above is mainly on account of the revision of the assessments of properties which were originally under-assessed and of properties such as Mills which are assessed on the basis of the profits derived from the use of the property.

27. *Urban Immoveable Property Act.*—It may be noted here that, besides the Municipal taxes, property in Bombay also bears another tax, namely, the Urban Immoveable Property Tax which is levied by the Provincial Government. This tax was first imposed in 1939 to meet the loss of excise revenue resulting from Government's Prohibition policy. The tax is based on rateable value and was levied originally at 10 per cent. of the rateable value. At present it is levied at the rate of 7 per cent. on properties whose rateable value exceeds Rs. 2,000 and at 3½ per cent. on properties with lower rateable value.

SECTION III.

MUNICIPAL EXPENDITURE.

28. The main items of Municipal expenditure are Primary Education, Conservancy including street cleansing, maintenance of roads including lighting and cleansing of sewers, medical relief, public health, debt charges on loans raised on account of the water and drainage works and other capital works, general establishment charges, payment of dearness allowance to the staff and contribution to the Improvement Trust.

29. Under the Improvement Trust Act the Corporation functions as the Board of Trustees for the Bombay Improvement Trust. The budget for the Improvement Schemes is shown separately as budget B in the Municipal budget estimates. As the Trust is not yet self-supporting the Corporation is required to make an annual contribution to the budget of the Trust. This is a statutory obligation and, under clause (d) of section 125 of the Act, the contribution is defined as three times the estimated net realisations of general tax in the year (inclusive of past arrears and advance payments) divided by the rate of general tax for the year. This more or less amounts to 3 per cent. of the rateable value.

30. However, the deficits in the Trusts Budget turned out to be somewhat smaller than originally anticipated and it was found that a contribution equal to 2 per cent. of the rateable value would suffice. As a measure of financial assistance to the Corporation, the rate has been reduced to 2 per cent. since 1942 Government assuming the residuary liability for meeting any deficit in the budget of the Trust up to a maximum of Rs. 10 lakhs per year. The reduced rate was sanctioned temporarily for a period of 3 years in the first instance, but this has been extended from time to time, and the present period of sanction expires on 31st March 1949.

31. The growth of expenditure under the several items mentioned above is seen from the table below. The figures represent actuals for the years up to 1946-47, the revised estimates for 1947-48 and the budget estimates for 1948-49 :—

TABLE II.

Rupees lakhs.

	39-40.	40-41.	41-42.	42-43.	43-44.	44-45.	45-46.	46-47.	47-48.	48-49.	Proportion.
						1947					Percent.
Primary Education ..	37	41	41	42	47	53	61	70	87	86	232
(Deduct— Dearness allowance)	..	..	..	..	..	8	11	15	16	16	..
Conservancy ..	26	27	25	26	28	28	29	41	60	63	242
Maintenance of roads and lighting ..	29	28	28	26	25	30	27	30	51	44	152
Medical relief ..	21	21	19	21	24	24	28	27	44	58	276
Public Health ..	10	10	10	10	10	11	12	14	22	21	210
Debt Charges ..	123	125	127	126	125	125	124	124	129	138	..
Contribution to Improve- ment Trust ..	37	36	37	25	26	27	28	30	30	32	..
General Establishment..	33	34	35	35	36	35	37	51	70	62	188
Dearness allowance ..	1	3	3	10	24	43	54	72	82	99	..
Other items ..	30	34	34	44	46	45	59	51	108	76	253
Total ..	347	359	359	365	391	413	448	495	667	663	191

The last column gives the proportion of the budgeted expenditure for 1948-49 to that in 1939-40.

32. It will be seen that the total expenditure has increased by nearly 191 per cent. If dearness allowance of Rs. 16 lakhs is excluded, the expenditure under primary education amounts to about 200 per cent. of the pre-war expenditure while that under conservancy, medical relief and public health has increased to about 225 per cent. of the pre-war expenditure. On the other hand the increase in expenditure under the heads of maintenance of roads and general establishment is comparatively much less while there is practically no increase under debt charges. Therefore there is a possibility for some increase in expenditure under these heads. These facts will be relevant when we consider the estimates of total expenditure in future years.

33. The expenditure shown under general establishment is exclusive of that already included under the preceding items. The total establishment charges (inclusive of payment to labour) are as follows :—

TABLE III.

		Rupees lakhs.									
		39-40.	40-41.	41-42.	42-43.	43-44.	44-45.	45-46.	46-47.	47-48.	48-49.
Establishment	..	103	106	107	105	109	112	119	169	220	225
Dearness allowance	..	1	3	3	10	24	43	54	72	82	99
Total	..	104	109	110	115	133	155	173	241	302	324

It will be seen that the total increase in expenditure since 1945-46 amounts to nearly Rs. 1½ crores. This is mainly due to the revision of pay-scales which was effected in 1946-47.

SECTION IV.

THE MUNICIPALITY'S CASE.

34. *Justification for financial assistance.*—The Municipality has sought to justify its claim for financial assistance by making an estimate of its potential income and expenditure in the forthcoming years and calculating the gap between the two to meet which additional finances will have to be provided. The potential income is calculated by taking into account the increased yields which will result from some of the existing taxes such as the Vehicles Tax by raising their rates and the yield which will accrue from certain new taxes such as the Profession Tax and the Theatre Tax which the Municipality is now being empowered to levy. Legislation to authorise the Municipality to levy these taxes is under consideration.

35. *Profession tax.*—The Profession Tax would be on the different trades, callings and professions according to the income groups. The rates are graded according to the income groups, higher rates being charged for higher income groups. The tax is generally on annual basis though recoveries may be made in monthly, quarterly or half-yearly instalments. Persons with incomes below a prescribed limit are exempt from the tax. Though the tax is assessed on the incomes of the persons concerned, section 142-A of the Government of India Act permits its levy provided the rate does not exceed Rs. 50 per annum. This limit is proposed to be raised to Rs. 250 per annum in the Draft Constitution of India.

36. *Theatre Tax.*—The Theatre Tax is a tax levied on the theatres on the basis of the classes of entertainments and in some cases on the sitting accommodation. The tax is assessed for each programme, different rates being levied for different varieties of entertainments. In some of the Districts, and city municipalities, this tax is already being levied and the rates vary from Rs. 5 to As. 4 per programme in accordance with the nature of the programme and the importance of the municipality.

37. In calculating the future expenditure, account is taken of the increased expenditure involved in the improvement of the standard of the municipal services and in the expansion of the services which will be required in order to cater for the vastly increased population of the City which has risen from about 14 lakhs pre-war to nearly 27 lakhs now. The latter figure is an estimate made by the Rationing Department. Account is also taken of the capital works such as water and drainage works, construction of new roads which it will be necessary to carry out and the resultant increase in debt charges.

38. *Estimates of deficits.*—The estimates of income and expenditure made on the above basis are shown in appendices Nos. 6 and 7 attached to the note submitted by the Municipality and the resultant deficits are shown in the table below :—

TABLE IV.

		Rupees lakhs.										
		48-49.	49-50.	50-51.	51-52.	52-53.	53-54.	54-55.	55-56.	56-57.	57-58.	58-59.
Expenditure ..	..	788	840	852	808	808	806	803	798	808	824	839
Income ..	..	609	620	609	595	600	611	618	627	637	640	643
Deficit	179	220	243	213	208	195	185	171	171	184	196

. Gupte, M.L.A.,
recommendations,
subject to review

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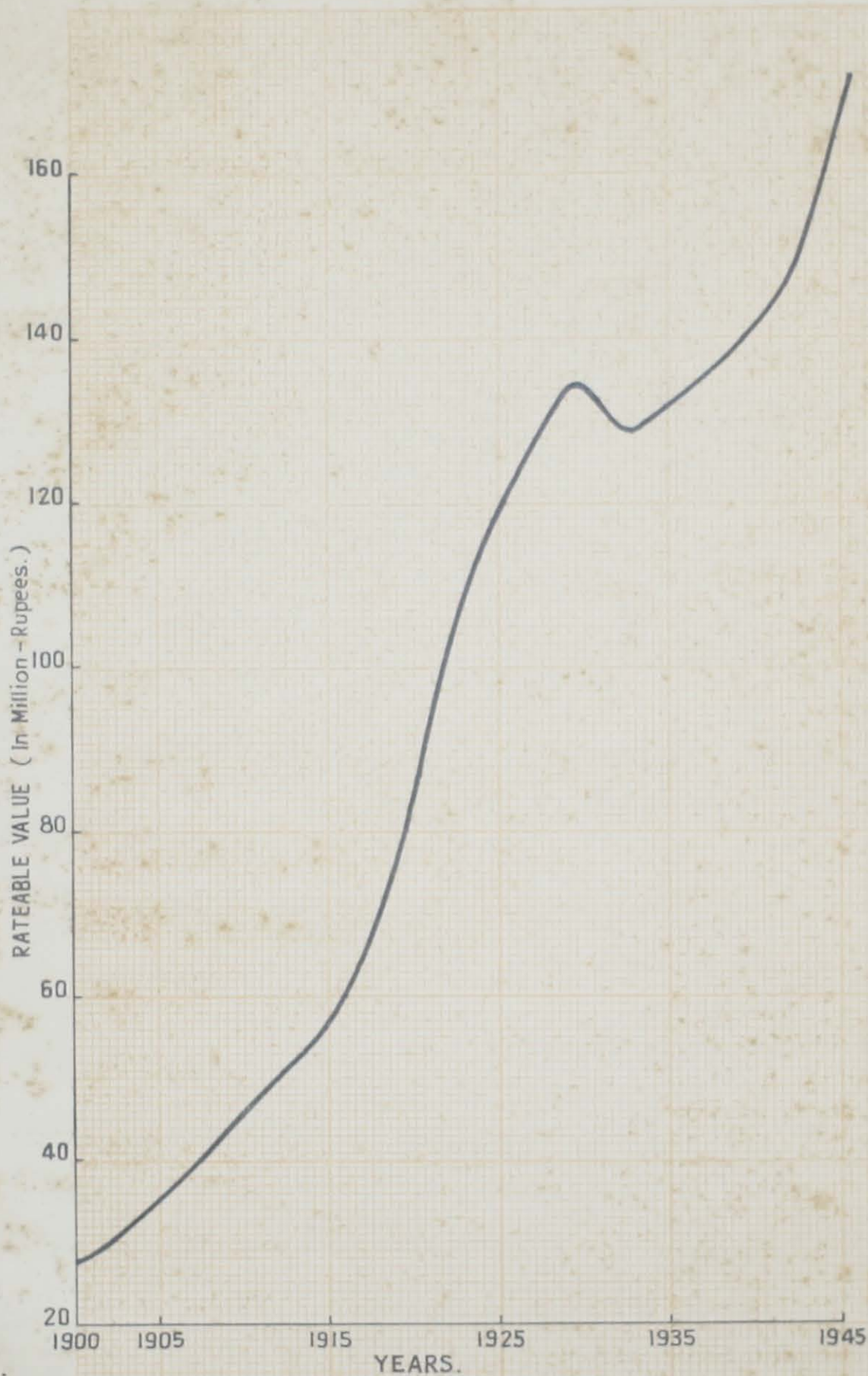
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37. In calculating the future expenditure, account is taken of the increased expenditure involved in the improvement of the standard of the municipal services and in the expansion of the services which will be required in order to cater for the vastly increased population of the City which has risen from about 14 lakhs pre-war to nearly 27 lakhs now. The latter figure is an estimate made by the Rationing Department. Account is also taken of the capital works such as water and drainage works, construction of new roads which it will be necessary to carry out and the resultant increase in debt charges.

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TABLE IV.

	Rupees lakhs.											
	48-49.	49-50.	50-51.	51-52.	52-53.	53-54.	54-55.	55-56.	56-57.	57-58.	58-59.	
Expenditure ..	788	840	852	808	808	806	803	798	808	824	839	
Income ..	609	620	609	595	600	611	618	627	637	640	643	
Deficit ..	179	220	243	213	208	195	185	171	171	184	196	



74. Of course the value cannot go on rising at this rate indefinitely. There will be a limit to the extent to which it can rise. But there is no reason to suppose that we are anywhere near the limit at present.

75. In 1941 the rateable value amounted to Rs. 14 crores. Since then population has nearly doubled. For housing this extra population many new houses will have to be built. These will be built during a period of high costs and so their rateable value will be high. Again the recent amendment of the Rent Act which allows increase in rent on account of repairs will also tend to raise the rateable value.

76. Considering all these factors it would be reasonable to expect that rateable value will continue to rise during the next ten years at a rate not much less than the average rate for the last 50 years, thus reaching a figure about 50 per cent. higher than in 1941. We may therefore accept the rate assumed by Government, i.e., Rs. 32 lakhs per year. The annual increase in the yield of property taxes will be $21\frac{1}{2}$ per cent. of Rs. 32 lakhs, i.e., Rs. 6.9 lakhs or roughly Rs. 7 lakhs per year. We shall therefore allow for a progressive increase of Rs. 7 lakhs per annum.

77. *Rate of debt charges.*—Both the Municipality and Government have calculated debt charges at 6 per cent. Neither have however made clear the basis of the calculation.

78. When loans are repaid by the Sinking Fund method, debt charges consist of the instalment of Sinking Fund and the interest. In the case of loans raised recently by the Municipality the Sinking Fund is taken as improving at 3 per cent. or in other words this is the rate of interest yielded by funds invested in the Sinking Fund. On this basis the Sinking Fund instalment for a loan repayable in 30 years amounts to 2.1 per cent. If the loan bears interest at the rate of $3\frac{1}{2}$ per cent. the total debt charges will amount to 5.35 per cent. only. Thus in the case of the loans raised by the Municipality during the last ten years the debt charges vary from 5.1 per cent. to 5.6 per cent.

79. However the amount proposed to be borrowed is large. Moreover during the period other Provincial Governments and the Central Government will also be borrowing for their own Post-War Reconstruction Programmes. These and other various reasons may cause the interest rates to go up. We therefore think it reasonable to provide for debt charges at 6 per cent. It should be understood however that this rate includes a margin allowing for a possible rise in interest rates in the future.

80. Additional revenue which will be realised when the rates for water supplied to the Mills are restored :—

Government have taken this to be Rs. 20 lakhs. However, there is a discrepancy in this figure. It is true that an amount of Rs. 20 lakhs was refunded in 1947-48. But this included an amount of Rs. 7 lakhs on account of the year 1946-47. The loss of revenue per year is thus Rs. 13 lakhs and not Rs. 20 lakhs. This can be verified also by considering the figures of actual consumption. The figures for 1945-46 are as below :

					Quantity in million gallons.
Mills	...	...	...	...	2383.50
Race Course	...	...	...	...	76.55

The additional revenue obtained by raising the rate for the Mills from Rs. 1-1-0 per 1,000 gallons to Rs. 1-8-0 and from Rs. 2 to Rs. 3 for the Race Course will thus be only about Rs. 13 lakhs. In our estimates we shall therefore use this figure.

81. We now proceed to give our estimates of income and expenditure.

(a) *Normal income.*—We estimate the normal income to be Rs. 619 lakhs. This is made up as follows :—

Municipal Estimate	...	...	...	Rupees lakhs.	595·5
Income from Bombay Electric Supply and Tramway					10
Additional revenue from water	...	...	...		13
					618·5 or say 619 lakhs.

(b) We estimate the normal expenditure to be Rs. 701 lakhs. The Municipal estimate is Rs. 731 lakhs. But this includes Rs. 25 lakhs on account of the Milk Scheme. Since Government is already conducting a Milk Scheme, it is not necessary for the Municipality to undertake such a scheme for the time being at least. We accordingly exclude this item. Similarly we have deducted Rs. 5 lakhs as the minimum saving which can be effected by retrenchment in general.

82. As regards the revenue derived from capital works and the debt charges, we accept the figures given by the Municipality. As already explained we shall allow for a progressive annual increase of Rs. 7 lakhs in the yield of Property Taxes.

83. The Municipality has provided for a non-recurring expenditure of Rs. 97 lakhs in the first 4 years on account of Plant and Machinery. As pointed out by Government this expenditure may be met appropriately from loan funds. Similarly the Municipality has provided for a non-recurring expenditure of Rs. 80 lakhs in the first 4 years on revenue works. Again the additional revenue from water supplied by measurement will not be available for the first two years.

84. As against these items we can set off the Rs. 72 lakhs available in the Post-War Reconstruction Fund and Rs. 20 lakhs in the Land Sales Reserve Fund. Thus all these items which are of an extraordinary nature cancel each other and will not affect the deficits. We may therefore neglect them. Thus the initial deficit will be Rs. 82 lakhs as against Rs. 136 lakhs estimated by the Municipality. The estimated income and expenditure for the next 10 years will be as below :—

TABLE VI.

														<i>Rupees lakhs.</i>
Year	..	..	48	49	50	51	52	53	54	55	56	57	58	
Income	..	..	626	633	640	647	659	676	691	706	723	733	743	
Expenditure	..	..	713	729	747	766	778	776	773	768	778	794	809	
Deficit	..	..	87	96	107	119	119	100	82	62	55	61	66	

It is seen that the ultimate deficit will be Rs. 66 lakhs only as against Rs. 196 lakhs estimated by the Corporation and Rs. 125 lakhs in Government's estimates.

85. To summarize the difference between the three sets of estimates, in the Municipality's estimate expenditure rises to Rs. 8½ crores while income rises to Rs. 6½ crores leaving a gap of Rs. 2 crores. In Government's estimate, expenditure rises to Rs. 8¼ crores income to Rs. 7 crores thus leaving a gap of Rs. 1¼ crores. In our estimates expenditure rises to Rs. 8 crores while income rises to Rs. 7¼ crores leaving a gap of Rs. ½ crore. The main point in respect of which our estimates of income differ from the two previous ones is that we have allowed for the increase in the yield of property taxes on account of the probable rise in rateable value.

It is thus necessary to provide the Municipality with sources which will yield additional revenue of Rs. 66 lakhs.

86. It is seen that even after the provision of this additional revenue of Rs. 66 lakhs, there will remain residual deficits for the first few years. These are as under :—

TABLE VII.

											<i>Rupees lakhs.</i>	
Year	..	..	48	49	50	51	52	53	54	55	and there- after.	Total
Residual deficit	..	..	21	30	41	53	53	34	16	0		248

To meet these, the Municipality will have to be given an additional grant-in-aid determined on a year to year basis.

87. In order to lay down a comprehensive formula for the grant-in-aid, account will have to be taken of the increased yield of property taxes as also the revenue obtained from capital works. Since it is not possible to make a precise estimate of these items, the formula will be liable to err to that extent. A simpler and more definite formula can be worked out as follows :

The residual deficits occur on account of loans raised up to the end of the year 1951-52. The grant-in-aid required would thus be equal to the excess debt charges on account of loans raised till the end of that year, loans raised thereafter being neglected. According to this formula the grant-in-aid admissible would be as under :

TABLE VIII.

											<i>Rupees lakhs.</i>	
Year	..	..	48	49	50	51	52	53	54	55	and there- after.	Total
Grant-in-aid	..	..	12	28	46	65	58	36	13	Nil	..	260

It will be seen that a grant-in-aid on the above basis would be adequate to finance the Municipality's loan programme.

88. In order to avoid excessive grants the debt charges may be calculated on the expenditure actually incurred. Thus the excess debt charges for any year will be 6 per cent. of the expenditure incurred up to the end of the previous year *plus* 6 per cent. on the loan to be raised during the year reduced by the abatement in debt charges on old loans up to that year.

89. According to the above scheme the total grant-in-aid to the Municipality may amount to as much as Rs. 260 lakhs. This expenditure can however be avoided if Government itself advances the loans required till the end of 1950-51, the repayment being deferred for a certain period say 5 years. Thus the loan may be made repayable by 30 equated instalments, the first instalment becoming due 5 years after the grant of the loan. If Government advances the loans required by the Municipality till the end of 1950-51 on the above terms the excess debt charges will be as below:

TABLE IX.

		<i>Rupees lakhs</i>									
Year	48	49	50	51	52	53	54	55	56
Debt charges on new loans	19	38	70	108	146		
Abatement of current debt charges.	3	5	5	12	33	55	79		
Excess debt charges	-3	5	14	26	37	53	67		

From 1955 onwards the debt charges are the same as in the previous calculations. Thus the grant of a loan on the above terms results in a reduction of the expenditure on debt charges in the first 7 years. The total expenditure and deficits will now be as follows :

TABLE X.

		<i>Rupees lakhs.</i>											
Year	48	49	50	51	52	53	54	55	56	57	58
Expenditure	701	698	696	715	727	738	754	768	778	794	809
Deficit	75	65	56	68	68	62	63	62	55	61	66

Hence if besides the provision of additional revenue of Rs. 66 lakhs, Government advances to the Municipality the loans required by the latter till 31st March 1952, on terms explained above, no further assistance will be required by the Municipality. The loan will be subject to a maximum of Rs. 8.4 crores but it will be limited to the expenditure actually incurred.

90. Strictly speaking the loan should be limited to the expenditure incurred up to the end of 1950-51 but in order to give the Municipality greater accommodation, the Municipality may be allowed to expend the amount till the end of 1952-53, i.e., in the first 5 years.

91. Government has promised financial assistance to the Corporation in carrying out its Post-War programme. The grant of a loan on terms described above would be the most appropriate method for the grant of such assistance at the least cost to Government.

SECTION VII.

GRANT FOR PRIMARY EDUCATION.

92. We shall now examine the question of Government's grant to the Municipality and consider whether this grant is adequate in the light of the present expenditure of the Municipality on this item and in comparison with grants sanctioned to other Municipalities and local bodies.

93. As mentioned in section II, Government's grant amounts to about Rs. 9½ lakhs. This is made up as follows: in the two Municipal Wards F and G compulsory primary education was introduced with the sanction of Government. In respect of these two Wards Government gives a grant equal to 50 per cent. of the total expenditure subject to a maximum of Rs. 2,70,000. In respect of all other Wards Government gives a fixed grant of Rs. 6,25,000. Since 1941 Government has been giving an additional grant of Rs. 50,000. In 1943 Government decided that Standards I and IV of secondary schools should be deemed to be primary standards and grants be given to Local bodies for their expenditure in connection with them. The grant to the Bombay Municipality on this account is Rs. 30,670 and the total grant thus amounts to about Rs. 9½ lakhs.

94. The pre-war expenditure of the Municipality on primary education was nearly Rs. 36 lakhs and Government grant amounted to 25 per cent. of the expenditure. Thus in 1939 the proportion of Government's grant to the total expenditure was 23 per cent. Since then on account of revision of pay-scales and payment of dearness allowance the expenditure has more than doubled itself while the grant has remained stationary. Thus according to the Budget estimates of 1948-49 the grant will amount to 11 per cent. only of the total expenditure and the proportion will fall still more if the expenditure rises to one crore as estimated by the Municipality; *prima facie* this indicates justification for increasing the grant by 100 per cent.

95. The legal provisions pertaining to the administration of primary education within the City may be briefly stated here.

Under section 61 (g) of the Bombay Municipal Act adequate provision for primary education is an obligatory duty of the Municipality. Section 62-B of the Act however lays down that if there was any subsequent change in Government's policy in regard to their liability for primary education, the Bombay Municipality should be entitled to the benefit of such change to the same extent as any other City Municipality. In other words the Legislature's intention clearly was that so far as primary education is concerned Bombay City should be treated on the same footing as other cities.

Under section 13 (1) of the Bombay Primary Education Act of 1923, where a Municipality introduces a scheme of compulsory education with the prior approval of Government, Government has to bear half the additional expenditure involved in the scheme. Government's liability is, however, limited to one-half of the total expenditure as estimated by the Municipality at the time the scheme is sanctioned.

96. *Past History.*—In 1917 the Corporation submitted to Government a scheme for the rapid extension of primary education in the City and of ultimate introduction of compulsory primary education. The scheme was estimated to cost Rs. 1,25,000 in the first year rising by an equal amount to Rs. 12,50,000 in the 10th year and in the 11th year compulsion was to be introduced at an additional cost of Rs. 5,40,000. The Municipality requested Government to bear one-third of the cost of the scheme.

97. Government, however, went further and agreed to bear not merely one-third but one-half of the cost of the scheme. It would be interesting to quote here from the letter containing Government's reply to the Municipality : (Government Letter No. 3150, dated 29th November 1918).

“ The proposal therefore that I am directed to place before you for consideration is that the Corporation should, as proposed in its representation, continue to bear the whole of the cost of primary education up to the limit of the net budgeted expenditure during the year 1917-18 and that all additional expenditure should be shared equally between Government and the Corporation. You will appreciate the fact that whereas the Corporation had asked for a grant of one-third only of the additional expenditure on primary education, the Governor in Council has decided to help towards ensuring literacy in the City of Bombay to the extent of one-half the future expenditure. Assuming the correctness of the estimate contained in the Corporation's representation, the result of this decision will be that while a grant of Rs. 6 lacs per annum has been asked for at the end of the 10 years period, the actual grant to be given will amount to Rs. 9 lacs. I am to point out that this liberal subvention is proposed to be made with the object of assisting the Corporation to prepare for the introduction of free and compulsory primary education and to make every future citizen of Bombay literate in one of the vernaculars. In order to bring this about Government intend to introduce legislation enabling the Corporation to introduce, when so disposed, free and compulsory primary education for boys or girls or for both throughout the City of Bombay either simultaneously or by wards or by sections of the City, as may appear suitable. In such legislation it is the intention of Government in view of their altered policy to delete section 62-B of the City of Bombay Municipal Act, as being no longer necessary. Under the new proposal the City of Bombay will receive grant-in-aid towards the whole of the additional expenditure on the same principles as may be applied to other city Municipalities in this Presidency and the retention of the section therefore obviously becomes unnecessary.”

98. The scheme was accordingly introduced and Government paid their share on the above basis for three or four years. When, however, due to the revision of pay-scales of the teachers and other reasons actual expenditure on the scheme was found to be far in excess of the original estimates Government became reluctant to pay the large grants required on the basis of half the expenditure and ultimately denied the liability to pay anything more than half of the cost of the scheme as originally estimated, i.e., Rs. 6,25,000 plus Rs. 2,70,000.

99. The Municipality however considered that Government's letter formed a contract between Government and the Municipality for sharing the expenditure on primary education and they accordingly filed a suit against Government. The suit was decided in Government's favour on the ground that Government's letter did not amount to a legal contract as the necessary formalities regarding signing and sealing by appropriate officers had not been gone through. Government thus won the case purely on a technical point of law, but the High Court was constrained to remark that the moral justification was all on the Municipality's side. To quote from the judgment of the High Court :

“ The Plaintiffs seem to have a moral justification on their side in complaining of Government's conduct in taking advantage of legal technicality in their favour to avoid an obligation they had deliberately undertaken in regard to the spread of primary education in the City of Bombay. Unfortunately for the Plaintiffs they

omitted to take the necessary precaution of binding down Government by means of a formal legal contract to the promise they had made..... Although I sympathise with the Municipality on the moral aspects of this dispute, I must recognize that this is not a Court of Morals but a Court of Law". In short, in the High Court's opinion the attitude taken by Government was not reasonable.

The above briefly explains how Government's grant came to be fixed at Rs. 6,25,000+Rs. 2,70,000.

100. *Grants to other Municipalities.*—We shall now consider the position in respect of other municipalities and the District Local Boards.

101. In the case of District Local Boards Government was hitherto bearing two-thirds of the total approved expenditure. Under the new Primary Education Act of 1947, it is proposed that if a District Local Board raises the Local Fund Cess to 3 annas in the rupee and earmarks out of it the yield of a 15-pie^c cess, the whole of the rest of the expenditure involved in a scheme of compulsion shall be borne by Government. It is estimated that on this basis Government's share may be as much as 90 per cent. of the total expenditure.

102. Similarly in the case of the non-local authority Municipalities, that is smaller municipalities whose schools are managed by their District Local Boards, Government was hitherto bearing 2/3rd of the total expenditure. Under the new Act, it is proposed to limit the liability of the Municipalities to a certain percentage of the rateable value the balance being all borne by Government. The percentage which is being considered in this connection is we understand 5 per cent. Here again Government will be bearing more than 66·2/3 per cent. of the total expenditure.

103. In the case of authorised municipalities Government will continue to bear one half of the expenditure. In the case of the bigger Municipalities of Poona, Surat and Sholapur, Government bears one-third of the approved expenditure, while in the case of Ahmedabad Municipality, Government pay 25 per cent. of the approved expenditure. However, if any of these Municipalities introduce compulsory primary education subsequently, Government will bear one-half of the additional cost.

104. It is seen that Government's contribution is fixed on a sliding scale the proportion being lower in the case of the richer municipalities. At the same time as we have remarked before, the Legislature's intention was clearly that in regard to primary education Bombay City should be treated on the same footing as other cities. Considering all these facts and the history of the case, we recommend that Government's grant to Bombay Municipality should be fixed at 25 per cent. of the approved expenditure subject to a maximum of Rs. 25 lakhs a year. This will mean an immediate increase in the grant of about Rs. 11 lakhs and an ultimate increase of about Rs. 15 lakhs.

105. The increase in grant should however be accompanied by a complete reorganization of the administrative system which in our opinion is not at all suitable for the needs of modern times.

106. Under the present system the administrative powers vest in the Schools Committee appointed under section 39 of the Municipal Act. The Committee is appointed by the Corporation and consists of 16 members of whom 12 are Municipal Councillors and 4 are outsiders. The composition of the Committee is on a communal basis. Thus out of the 12 Councillors at least 4 are to be Muhammedans, 3 of intermediate castes and at least one of the scheduled caste if a Councillor of that caste is available. Of the 4 outsiders two are to be women.

107. Under clause 7 of section 39, it is the duty of the Schools Committee to provide out of the funds placed at its disposal by the Corporation, for the accommodation and maintenance of primary schools vesting either wholly or partially in the Corporation. Under clause 9 it is the duty of the Schools Committee to appoint and remove masters, teachers and other persons employed in the primary Schools and to direct and control the instruction in the schools and the terms and conditions of such instruction.

108. Executive powers thus vest wholly in the Committee. As regards financial matters the Corporation's power is limited to the sanctioning of the total grant but it has no control over detailed expenditure.

109. The Secretary of the Schools Committee is paid in the scale of Rs. 600—30—780—40—900 plus allowances. The Secretary, however, has no executive powers. Even the transfer of a peon from one school to another has to be sanctioned by the Committee. It is obvious that the Committee has taken upon itself routine work involving patronage instead of confining its attention to more important problems of policy or of improvement of primary education in the City. The importance of avoiding routine details by the Committee will be realised when it is remembered that the number of Schools exceeds 400 and the number of teachers exceeds 4,000. Unless the composition, functions and powers of the Committee are overhauled with a view to make it a small businesslike body interested in improving primary education in the city, and unless adequate control on its budget is introduced, it would not conduce to efficiency and improvement and may lead to waste. After carefully considering the different aspects of the problem we recommend that :

(1) The schools Committee should consist of eight members only ; five to be selected by the Corporation from among their own members and three others to be selected on grounds of their expert knowledge of primary education. These need not be members of the Corporation. The Committee should not be selected on communal lines as at present.

(2) The Committee should look after

(a) educational policy and

(b) the more important problems of implementing that policy. It should frame the Budget and see that the expenditure is incurred in the interests of efficiency and economy.

(3) The routine work of administration should be delegated to the Secretary, who may in cases of difficulty act with the consent of the Chairman.

(4) The Budget of the Schools Committee should be a part of the Municipal Budget as that of any other department of the Corporation and therefore subject to the general control of the Municipal Commissioner and ultimately of the Corporation.

110. These proposals would provide for more business-like work of administering about a crore of rupees likely to be spent annually on primary education in the City in the near future ; it would on the one hand ensure that education would be in charge of a body of persons combining popular element with expert knowledge, and on the other hand would provide for that check on the administration of the Schools Committee which is wholly absent under the present arrangements. Government would be fully justified in making these changes as a condition precedent to the grant proposed by us for primary education.

SECTION VII.

RETRENCHMENT AND OTHER MATTERS.

111. *Retrenchment.*—According to the terms of reference the Committee has been asked to consider the scope for possible curtailment of Municipal expenditure. For considering this matter satisfactorily it would be necessary to scrutinise minutely the working of each of the Municipal Departments and the staff provided for it. For obvious reasons, it was not possible for the Committee, constituted as we are and within the time at our disposal to undertake this task. We shall therefore content ourselves with making some general observations regarding this matter.

112. We understand that the last time an investigation of the above type was made was in 1925 when Sir M. Visvesvaraya was appointed as the Retrenchment Adviser. Since then the staff has more than doubled. We think it is high time that such an investigation should now be made again. In our opinion this purpose will be better served by the appointment of a competent person with the requisite status and experience rather than by the appointment of a Committee. We strongly recommend the appointment of such a person who should be asked to examine the workers of each of the Municipal Departments in detail and make suggestions for effecting retrenchment.

113. We recommend the introduction of mechanized methods of Accountancy. Many business firms such as the New India Assurance Co., have adopted these and found them to be very advantageous. They lead to a saving of labour and at the same time the possibility of errors is greatly reduced.

114. The office arrangements in the Corporation's offices are not at all satisfactory. A better lay-out of office arrangement on more scientific lines would facilitate quicker disposal of work.

115. In our discussion with the Municipal Commissioner, Mr. B. K. Patel, I.C.S., we suggested to him that it would be worthwhile to have the working of some of the departments examined by an expert firm like Messrs. Ibcn Ltd., which has specialised in the examination of the working of business and Government organisations. We are glad to note that our advice has been followed and that as a beginning the examination of the Hydraulic Department has been entrusted to that firm.

116. *Shares in proceeds of Taxes.*—We shall now consider briefly the claims made by the Municipality to a share in the proceeds of certain taxes. As mentioned in Section IV, these are the Entertainment and Betting Taxes, Electricity Duty, Transfer of Property Tax and the Tobacco Duty. The Municipality wants also to levy a cess of one anna per gallon on petrol sold in the City.

117. As regards the last item, the Advocate General to the Government of Bombay has advised that under the Government of India Act, the levy of such a cess is not within the competence of the Municipality. (Appendix VII). This question, therefore, does not need further consideration.

118. Similarly Government is already giving a grant-in-aid in lieu of the Tobacco Duty to meet the deficits in the Improvement Trust budgets.

119. As regards the Entertainment and Betting Taxes, the Taxation Enquiry Committee has recommended that a share of the proceeds of these taxes should be

assigned to local bodies. The Kale Committee on Local-Self Government has also made the same recommendation. We have considered this matter very carefully. It is true that there is much to be said in favour of granting to Local Bodies a share in the proceeds of these taxes and more especially of the Entertainment Tax. The receipts of this tax are dependent on the amenities provided by the Municipality. Also through this tax the Municipality can get some return from a class of people who otherwise entirely escape all the Municipal taxes though they get the benefit of the Municipal services. The class of people we have in view are temporary visitors to the City, people living in the Suburbs and coming to the City for entertainment, business, etc. However, we have recommended other means which will be adequate to cover the deficit envisaged in the Municipal budget. Also for various reasons explained in detail in the next section we do not consider the present time opportune for making any fundamental alteration in the structure of Municipal and Provincial taxation. Therefore, at this stage we do not think it either necessary or desirable to recommend the assignment of a share in these taxes to the Municipality.

120. The Municipality receives an annual grant-in-aid of Rs. 25,000, on account of the abolition of the tolls. Tolls were abolished in 1920 and the grant-in-aid is based on the average income which the Municipality was then realizing from tolls. The Municipality has claimed that the grant should be based on the average income which the Municipality would now receive if it were to levy them. It has therefore asked for an increase in the grant to Rs. 2½ lakhs.

121. We do not think that there is much force in this argument. The abolition of tolls was in the interests of the Municipality as also the Government. Their levy was against the interests of the Community as a whole. The Municipality is thus in effect now asking compensation for not doing something which is against the general interests of the community. We are therefore unable to support this claim.

122. Lastly we may consider the question of the Municipal Contribution to the Improvement Trust. As explained in Section III, originally on amalgamation of the Trust, the contribution was fixed at 3 per cent. of the rateable value. In 1942 however, the rate was reduced to 2 per cent. for a period of 3 years in the first instance. This period was extended from time to time, the present period of sanction expires at the end of the current year.

123. In their estimates of Municipal expenditure Government have allowed for a contribution at 2 per cent. only. We have therefore assumed that it is Government's intention to continue the reduced rate hereafter and have framed our estimates accordingly. An examination of the Trust Budgets for the last 10 years fails to reveal any necessity for increasing this contribution, (See also the Note submitted by the Municipality giving forecasts of the Trust budgets for the next ten years. Appendix VIII).

124. We, therefore, recommend that the reduced rate should be continued hereafter also.

SECTION IX.

FORM OF FINANCIAL ASSISTANCE.

125. Having determined the extent of the financial assistance required by the Municipality, we have to decide the form in which this should be made available to it.

126. We consider the present time to be inopportune for making any substantial readjustment of sources of revenue between the Province and the Corporation. The whole situation, constitutional, financial and economic is very uncertain at present and the proper time for considering such a realignment will only be after some time when the position has become more stabilised.

127. The Drafting Committee of the Constituent Assembly has recommended that in view of the unstable conditions prevailing at the present moment the existing distribution of revenues between the Union and the States under the Government of India Act, 1935, should continue for at least five years, after which a Finance Commission may review the position.

128. The question of reformation of the provinces on linguistic basis is now actively under consideration. Thus the financial resources available for distribution may be substantially modified in the near future.

129. Then again there is the uncertainty of the general economic situation which affects the finances both of the Corporation and the Province.

130. As remarked in the report of the Directors of the Reserve Bank for the year ending June 1948, the economic situation to-day is dominated by rising prices and rising costs, which are largely the result of a policy of decontrol. The dangers inherent in the situation are easily realized and it is difficult to foresee where the inflationary spiral will lead to unless the Central Government adopts strong disinflationary measures. We would emphasize here that the Central Government should give their most earnest attention to the menace of inflation which is probably the greatest danger threatening our country to-day.

131. Rising prices mean higher Municipal expenditure. Higher prices have to be paid for materials and increased dearness allowance has to be paid to the staff. The present scale of dearness allowance is based on the cost of living prevailing in January 1947. But the cost has risen greatly since then and if dearness allowance is granted according to the next higher scale recommended by the Central Pay Commission it will mean a substantial addition to expenditure on dearness allowance.

132. The Central Pay Commission have based their recommendations on the assumption that when prices are stabilised the cost of living index will stand in the neighbourhood of 160. They also thought it possible that stability would be reached in a period of 5 to 6 years.

133. These assumptions are already outdated. Looking to the present economic trends, it appears quite possible that prices when they reach equilibrium will be stabilised at a much higher level. This will involve a further upward revision of pay-scales absorbing a large part of the dearness allowance now paid. Again the period before stability is reached may be considerably longer.

134. The rise in Municipal expenditure consequent upon a general rise in prices will not however be compensated for by a corresponding increase in income. This is because the main source of income is the Property Taxes which yield about 60 per cent. of the total revenue ; and these are assessed on rents which are controlled at pre-war level.

135. In fact the financial difficulties of the Municipality are intimately connected with and are in a large measure due to the control of rents at a level much below the economic level. Prices in general have risen by more than 250 per cent. above the pre-war level. (The Economic Adviser's General Index for May 1948 is 366.9.) Rent which is the price of accommodation has however been pegged at the pre-war level of 100.

136. Taking the working class cost of living index for Bombay City the pre-war expenditure on rent of a working class family amounted to 13/89 or 14½ per cent. of the total expenditure. It now mounts to 13/291 or 4½ per cent. only of the total expenditure.

137. It is difficult to say if the present artificial level of rents can be continued indefinitely. Sooner or later due to force of circumstances a certain increase in rents may become unavoidable. If an increase of 15 per cent. takes place that will provide the Municipality with additional revenue of Rs. 55 lakhs per annum.

138. Here we would like to stress that rent control by itself is not sufficient. What is urgently required is that more houses should be built. Hence care must be taken that the control of rents does not in any way hinder new building activity. The rate at which rent is controlled should leave an adequate margin of profit to provide sufficient incentive to prospective builders.

139. Another thing which comes in the way of fixing the quantum of assistance needed by the Municipality is the practicability of its capital expenditure programme being carried out during the specified period of time, and at the estimated cost. According to the present estimates it involves an expenditure of about Rs. 3.2 crores per annum. Depending on the course of prices this amount is, however, likely to show considerable variations either way. Besides, taking into account, (1) the shortage of construction materials and machinery, (2) the volume of capital expenditure which the Central Government, the provincial governments, the local self-governments and private enterprise propose to incur on development projects and (3) the scarcity of foreign exchange, it is doubtful how far the Municipality will be able to execute its programme within 10 years.

140. On the income side, a factor which is likely to upset seriously all calculations regarding the magnitude of deficit in its budget, is the purchase by the Municipality of the Bombay Electric Supply and Tramway Company. The exact amount which the Municipality would be required to pay for the assets of this undertaking has not yet been settled. The revenue which the Corporation can expect from this source will in a large measure be dependent on this amount. Besides, the wider question whether the profits of the nationalized or municipalized undertakings should be taxable or not is yet undecided. It will make a difference of about Rs. 40 lakhs in the revenues of the Bombay Municipality.

141. Lastly, it is difficult to say at the moment what liability, if any, the Municipality will have to bear on account of the Greater Bombay Scheme.

142. All these considerations show that the form in which the additional revenue should be made available should preferably be such as does not involve a substantial modification of the present taxation system. The grant of a share in the proceeds of certain taxes like the Entertainment Tax does involve such modification. Moreover, it would have repercussions as regards the financial relations of Government with the mofussil municipalities. We are, therefore, unable to accept such proposals.

143. For the same reason we consider it prudent to make our recommendations on a short term basis. At the same time we realize that the period covered by our recommendations must be sufficiently long to allow the Municipality to pursue its constructive activities in an atmosphere of comparative security. The period of five years beginning with 1949-50 appears to us to be adequate for this purpose. Our proposals should, therefore, be reviewed at the end of that period.

SECTION X.

RECOMMENDATIONS.

144. As shown in section VI the gap between potential income and expenditure which is required to be bridged amounts to Rs. 66 lakhs. Out of this, about Rs. 11 lakhs will be provided by the increase in the grant for primary education. We propose that the remaining amount of Rs. 55 lakhs should be obtained by the Municipality by increasing its general tax by 3 per cent. This increase, however, must be accompanied by a corresponding reduction of 3 per cent. in the rate of Urban Immovable Property Tax since we are of the definite opinion that property in the City is already taxed very heavily and it cannot bear any additional burden, particularly if an incentive to new building is to be provided.

145. We further recommend that the present statutory limit of 17 per cent. should be raised to 21 per cent. If our recommendation in the previous paragraph is accepted the municipal rate will stand at 17 per cent. leaving a margin of 4 per cent. which we consider as essential reserve both for future contingencies as well as for strengthening the financial credit of the Municipality.

146. As regards the loan works programme it should be assisted by the grant of a loan by Government on the terms explained in section V.

147. To summarise, our recommendations are as under:—

(i) The limit for General Tax should be raised from 17 per cent. to 21 per cent.

(ii) For the immediate future an increase of 3 per cent. in the general tax will be adequate.

(iii) Government should reduce the rate of Urban Immovable Property Tax by an amount equal to the increase in the rate of General Tax. The reduction should be uniform both for properties whose rateable value exceeds Rs. 2,000 as also for properties of lower value.

(iv) The grant for Primary Education should be equal to 25 per cent. of the approved expenditure subject to a maximum of Rs. 25 lakhs.

(v) To assist the loan works programme, Government should advance to the Municipality a loan to meet the expenditure actually incurred till 31st March 1953. The loan would, however, be subject to a maximum of Rs. 8½ crores and the loan should be repayable by 30 equal instalments, the first instalment in each case becoming due five years after the grant of the loan.

(vi) We strongly recommend the grant of a loan on the above terms. If, however, Government are unable to accept the recommendation it will be necessary to give the Municipality an additional grant-in-aid to enable it to raise the necessary loans. This grant-in-aid may be calculated according to the formula :

Grant-in-aid for any year = 6 per cent. of the capital expenditure incurred up to the end of the year reduced by the abatement in debt charges up to then. Expenditure incurred after 31st March 1952 should be excluded.

(vii) The rate of municipal contribution to budget B should continue at 2 per cent.

(viii) Government should appoint a competent person with the requisite status and experience to examine the question of retrenchment in the several departments of the Municipality.

(ix) The functions and the constitution of the Schools Committee should be modified on the lines explained in section VII.

(x) The Municipality should introduce mechanised methods of Accountancy. It should secure a better lay-out of office arrangements in the several offices. Expert firms like Messrs. Ibcn Limited may also be consulted regarding the reorganisation of some of the departments.

(xi) Our recommendations for financial assistance are based on a period of five years and are subject to review at the end of that period.

148. The Committee would like to put on record their appreciation of the very conscientious manner in which Mr. V. M. Joshi has served the Committee as Secretary. Apart from his duties as Secretary, Mr. Joshi has also proved extremely useful with his detailed knowledge of and guidance on the subject matter referred to us.

The Committee would also like to record their thanks to Mr. Y. S. Pandit of the Statistical Department of Tata Sons Limited for his assistance.

V. M. JOSHI,
Secretary.
Bombay, 17th August 1948.

A. D. SHROFF.
C. N. VAKIL.
B. M. GUPTE.

APPENDIX I.

Financial Assistance to the Bombay
Municipal Corporation :
Appointment of a Committee to report
on —

GOVERNMENT OF BOMBAY.

FINANCE DEPARTMENT.

Resolution No. 8797/33.

Bombay Castle, 10th April 1947.

RESOLUTION OF GOVERNMENT.

Government has decided to appoint the following Committee to report on the question of financial assistance to the Bombay Municipal Corporation :—

Sir Ghulam Mohamed, C.I.E., Chairman,
Professor C. N. Vakil, M.A., M.Sc., and
Mr. B. M. Gupte, M.A., LL.B., M.L.A.

Mr. V. M. Joshi, I.C.S., Deputy Secretary, Finance Department, should be Secretary to the Committee.

2. The terms of reference to the Committee are as follows :—

To examine the finances of the Bombay Municipal Corporation with a view to making recommendations to the Government of Bombay on the following matters :—

- (i) whether the Municipality should be given further assistance from Provincial revenues ;
and
(ii) if so, what the extent and form of such assistance should be.

In examining the financial position of the Corporation, the Committee should be requested to take into account the scope of expansion of the sources of revenue open to the Municipality and the scope of curtailment of expenditure incurred by it.

By order of the Governor of Bombay,

B. VENKATAPPIAH,
Secretary to Government.

To

The Accountant General, Bombay,
The General Department,
*Sir Ghulam Mohamed, C.I.E.,
*Prof. C. N. Vakil, M.A., M.Sc.,
*B. M. Gupte, Esquire, M.A., LL.B., M.L.A.,
*His Worship the Mayor of Bombay,
*The Municipal Commissioner, Bombay Corporation.

*By letter.

APPENDIX II.

Financial Assistance to the Bombay
Municipal Corporation :

Appointment of a Committee to report
on —

GOVERNMENT OF BOMBAY.

FINANCE DEPARTMENT.

Resolution No. 6797/33.

Bombay Castle, 29th July 1947.

RESOLUTION OF GOVERNMENT.

On account of his unavoidable absence from Bombay, Sir Ghulam Mohammed has intimated his inability to continue as Chairman of the Committee, appointed by Government Resolution, Finance Department, No. 6797/33, dated 10th April 1947, to report on the question of financial assistance to the Bombay Municipal Corporation.

The Government of Bombay regretfully accepts his resignation, and desires to place on record its thanks for his work on the Committee.

Government is pleased to appoint Mr. A. D. Shroff as Chairman of the Committee in place of Sir Ghulam Mohammed.

By order of the Governor of Bombay,

B. VENKATAPPIAH,
Secretary to Government.

To

The Accountant General, Bombay,
The Health and Local Government Department,
*Sir Ghulam Mohammed, C.I.E.,
*A. D. Shroff, Esquire,
*Prof. C. N. Vakil, M.A., M.Sc.,
*B. M. Gupte, Esquire, M.A., LL.B., M.L.A.,
*His Worship the Mayor of Bombay,
*The Municipal Commissioner, Bombay Corporation.

*By letter.

APPENDIX III.

No. 531/33-A.

GENERAL DEPARTMENT :

Bombay Castle, 17th October 1945.

From

M. D. BHANSALI, ESQUIRE, I.C.S.,
Secretary to the Government of Bombay,
General Department ;

To

His Worship the Mayor of Bombay.

Subject :—Bombay Municipal Corporation : Increased sources of revenue for—

Sir,

With reference to the correspondence ending with your letter No. 7206, dated the 15th February 1944, I am directed to inform you that Government has fully and carefully considered the Corporation's demands for the grant of additional sources of revenue and for the allocation of a definite share of certain sources of income derived by Government from the Bombay City, and has come to the conclusion that there is no case for acceding to either of these demands for the reasons stated below.

2. An examination of the Corporation's budgets and accounts over a number of years shows that the actual receipts from the different revenue resources have been usually much in excess of anticipations and that in most years, the anticipated deficits have changed into revenue surpluses. There is also a large cash balance which has enabled the Corporation to earmark about half a crore of rupees for purposes of Post-war reconstruction. In addition, there are the accumulations in the Land Sales Reservation Fund and Net Premia Fund and the excess accumulation in the Sinking Funds, which can be appropriated for Post-war or emergent expenditure. The Corporation's finances do not, therefore, seem to be as bad as depicted. Further, even if it is anticipated that the receipts from the general tax would fall hereafter, there would also be reduction in expenditure on dearness allowance and other items.

3. As regards the Corporation's demand for new sources of revenue, Government feels that the Corporation has not utilised to the full, the resources that are available to it even at present. Government has reduced the rate of its urban immoveable property tax from 10 per cent. to 7 per cent. in the City of Bombay and this reduction could be utilised by the Corporation to increase its rate of property tax. The Corporation has recently increased its property tax by 1 per cent. only. There are other taxes like the profession tax, education tax and theatre tax which the Corporation can usefully levy if it desires to increase its revenues. Besides when legislation is enacted on the Corporation's proposals in regard to town duties, there would be a substantial addition to the revenues of the Corporation. Government does not, therefore, consider that there is any necessity for making available to the Corporation any additional sources of income.

4. The Corporation has demanded a share in the Provincial receipts derived from Bombay City from certain sources of income like betting tax, transfer of property duties, entertainment duties, electricity duty, sales tax on petrol, etc. The Corporation's claim is examined in detail below :—

Betting tax.—Under the Government of India Act, 1919, this tax was reserved to the Provincial Government. The Indian Taxation Enquiry Committee which examined the question of Central, Provincial and Local Taxation, has not recommended that this tax or its proceeds should be given to the local authorities. On the other hand, by stressing that the betting tax has a restrictive as well as a revenue aspect and that the revenue aspect should not minimise its restrictive effect, it has indirectly confirmed the view that the tax should be a Government tax.

Transfer of Property duties.—As the Corporation is aware, this tax was offered to it in 1926 in lieu of Government contribution towards the cost of primary education in the City of Bombay but the offer was rejected. Government is making a grant of about 9½ lakhs to the Corporation for purposes of primary education. There is, therefore, no case for claiming a share of this tax in addition.

Entertainment duties and electricity duties.—The Corporation's demand for a share in the proceeds from the entertainment duties received in Bombay City, no doubt derives support from the recommendations of the Indian Taxation Enquiry Committee. Provincial Governments, however, are required to make grants to various local bodies for education, medical and public health purposes and these grants cannot be made unless the Provincial Governments have adequate financial resources. If a portion of the Provincial taxes like the entertainment tax, is assigned to local bodies and the Government grants are withdrawn, then local bodies in backward areas will suffer. Provincialising the tax makes it possible for Government to give financial help to deserving and backward local bodies as and when required. For the same reasons, it will neither be advantageous nor fair to assign to the local authorities a definite share of the receipts derived in their respective areas from the Provincial duty on electricity. Moreover, the proposed construction of an electric grid on a province-wide scale will make any assignment of electricity duty to local bodies impossible.

Petrol duties and Sales tax on Motor spirit.—The receipts from the Central Government's duty on petrol are credited to the Central Road Fund and the general policy governing the grants from this Fund does not permit a transfer of the Provincial Government's share in this Fund to the Bombay Municipal Corporation. The tax levied by this Government on sale of motor-spirit was specifically imposed to meet the rising cost of Government's nation-building activities. This expenditure has been increasing and it is not possible to assign a share of the proceeds from this tax to the Corporation.

Registration and licence fees on motor vehicles.—These fees are imposed chiefly for the purpose of regulating the use of vehicles and to ensure that public safety is not jeopardised by the use of unsafe vehicles or unskilled drivers. These are fees for specific services rendered by Government and are imposed to cover the cost of these services. Local authorities can have no claim to these receipts. The Indian Taxation Enquiry Committee has not recommended that local bodies should share in these fees but has clearly stated that they should be kept distinct from the other taxes on vehicles. The Corporation continues to levy its wheel tax on motor vehicles and its receipts therefrom do not seem to have been affected either by the registration and licence fees or by the Provincial Motor Vehicles Tax.

5. In regard to the Corporation's expenditure on Post-war reconstruction and the need for financial assistance from Government, I am to suggest that the Corporation should undertake a detailed review of its finances and prepare a forecast of its financial position in the first Post-war quinquennium. This review and forecast will enable the Corporation to assess its resources during this period on the existing basis of taxation and formulate its plans for expanding every possible source of revenue open to it. The review will have to cover expenditure heads also; the forecast of normal, as distinct from special Post-war development, expenditure being based on the principle that as soon as circumstances permit all possible economies will be effected under heads which do not contribute directly or indirectly to the new effort of development. The review should also include a clear indication of the loan position of the Corporation and its capacity to borrow during the first quinquennium of the Post-war period. If the Corporation agrees to send to Government its five years Post-war plan with the detailed estimates, along with the review of its financial position and resources on the lines indicated above, it will help to achieve co-ordination between the Corporation's and the Government's Post-War Plans; and Government would be prepared to regard the Corporation's plan as part of the Provincial Plan and eligible for assistance from both the Provincial and Central revenues.

6. In view of the position explained above, Government hopes that you will agree that there is no immediate need for any conference to discuss these points.

Your obedient servant,

(Signed) M. D. BHANSALI,

Secretary to the Government of Bombay,
General Department.

APPENDIX IV

MEMORANDUM SUBMITTED BY THE MUNICIPALITY

NOTE REGARDING ADDITIONAL SOURCES OF REVENUE REQUIRED FOR BUDGET " A ".

INDEX.

- I. Introductory.
- II. Why additional sources of revenue are necessary.
- III. Limitations of our present sources of revenue.
- IV. Possibilities of expanding current sources of revenue.
- V. Possibilities of curtailment of expenditure.
- VI. Our immediate programme of expansion.
- VII—Our future budgets.
- VIII.—What additional sources we request Government to make available to us.

I. Introductory.

The Bombay Municipal Corporation, who could rightly pride themselves on their civic administration and financial position for over 60 years, to-day find themselves in an embarrassing financial position due to two main factors. The first is the inordinately large increase (from about 15 lacs to 27 lacs) in the population of the City, necessitating much more expanded services; the second is the high cost of living and ever increasing prices of materials. The financial stringency which was always felt in an increasing degree during the last 20 years became accentuated in the year 1945-46. But from the beginning of April 1946, with the unhealthy conditions created by a strike of a particular section of the Municipal servants, the difficulties have gone on rising. Conditions of service of Municipal servants, especially of the lower paid staff, have had to be revised from 1st April 1946. The cost of labour and materials having gone up, the execution of works, supply of diets, medicines, stores, etc., throw a heavy burden on municipal finances.

2. Comparative figures given below will speak for themselves. They will be commented upon in the subsequent portion of the Note :—

Part A.

	1941-42.	1946-47.
Population of the City	15 lacs.	27 lacs.
Total number of properties	48,664	50,796
Rateable Value (in Rupees)	1,427·66 lacs.	1,714·41 lacs.
Water Supply for domestic use in million gallons	24,309	27,364
Refuse disposed of (in tons)	5,33,210	10,54,780
Roads (in square yards)	49,70,098	51,58,551
Private streets (in square yards)	219,587	219,587
Footpaths (in square yards)	16,70,932	16,74,099

Part B.

	1941-42.	1946-47.
(1) Total number of employees in Budget "A" (excluding Schools Committee Staff)	14,205	19,923
(2) Monthly paid staff up to Rs. 50 (excluding Schools Committee Staff) ..	11,633	15,960
Total Cost of (1) above (in Rupees)	79.49 lacs.	159.13 lacs.
Total Cost of (2) above (exclusive of Allowances) (in Rupees) ..	34.18 lacs.	64.09 lacs.
<i>Pay and Allowances of :</i>		
(i) Peon	Rs. 25	} Rs. 30-1-35 plus House Rent Rs. 6 Rs. 4 (P.A.C.) extra to Peons. Unclean Allowance to some of Rs. 5 per month.
(ii) Male Scavenger	„ 25	
(iii) Female Scavenger	„ 21	
(iv) Dungboy	„ 18	
Dearness Allowance (in Rupees)	3.08 lacs.	63.50 lacs.
Plus—Dearness Allowance (Schools Committee) (in Rupees) ..	0.52 lacs.	16.97 lacs.

3. Our principal sources of income are taxes, as under, on the rateable value of properties in the Municipal limits. (A note marked Appendix 1, showing how the rateable value is calculated, is attached for information). These yield about 50 per cent. of our gross income :

- (i) A General Tax Leviable at 8 to 17 per cent.
- (ii) Halalkhore Tax at 3 per cent.
- (iii) Fire Tax at $\frac{1}{2}$ per cent.

The General Tax was levied at 11 per cent. from 1922-23 to 1944-45 (except for two years 1934-35 and 1935-36 when it was at 12 per cent.). It was raised by one per cent. in 1945-46 and again by two per cent. in 1946-47.

The Halalkhore Tax has all along been levied at 3 per cent.

The Fire Tax was levied at $\frac{1}{2}$ per cent. from 1922-23 to 1st October 1947 from which date it is proposed to raise it to $\frac{3}{4}$ per cent.

In addition, the Corporation can levy a tax for supply of water at a rate to be determined by them. For domestic use in the Municipal limits, the tax is being levied at $3\frac{1}{2}$ per cent. of the rateable value of properties. Water is also supplied by meter measurement to Industries, Railways, Port Trust and to Government for sale in suburban area. The former brings an income of about 8 per cent. and the latter of about 16 per cent. of our gross revenue.

4. According to Section 126 (2) (d) of the Bombay Municipal Act, Budget "A" must always show a minimum surplus of Rs. 1 lac. Till the end of 1945-46, there was no difficulty in meeting with this requirement. Indeed, during the period of the War, large surpluses began to accumulate as normal works, both Revenue and Capital, could not be carried out for want of material. A Post-War Reconstruction Fund was therefore started by amending the Municipal Act—as we cannot create a reserve under our original Act and Rs. 72 lacs were credited to this Fund (Rs. 55 lacs in 1945-46 and Rs. 17 lacs in 1946-47). There was a Surplus Cash Balance of Rs. 60.20 lacs on 1st April 1946. Out of this Rs. 17 lacs were credited to the Post-War Reconstruction Fund, Rs. 2.73 lacs were required to meet increases in revenue grants, Rs. 7.87 lacs were advanced for purchase of plant and machinery and the bulk of the balance was taken up in current expenditure on account of revision of (a) grades and (b) scale of Dearness Allowances. At the end, the closing balance was estimated at only Rs. 8.34 lacs.

Budget for 1947-48.

5. When the Budget for 1947-48 was placed before the Corporation for approval the position regarding income and expenditure was as under :—

	Income (in lacs).	Expenditure (in lacs).
	Rs.	Rs.
Current income	540·85	598·86
Transfer from Post-War Reconstruction Fund	8·68	....
Opening Cash Balance	8·34	....
	<hr/>	<hr/>
Total ..	557·87	598·86
	<hr/>	<hr/>

To meet this deficit of about Rs. 41 lacs, it was proposed to raise the General Tax from 14 per cent. to 17 per cent. : this would have given an additional income of about Rs. 47·64 lacs. The Corporation did not agree to this as they thought it unsafe to exhaust their whole taxable capacity under the Act of 1888 and we got a non-recurring grant of Rs. 30 lacs from the Government. But this did not balance the Budget and arbitrary cuts to the extent of Rs. 20·14 lacs were imposed.

Later, the Town Duty Schedule was revised from 1st June 1947, after the necessary amendments to the Act were passed into law. The Corporation also agreed to raise the Fire Tax by $\frac{1}{4}$ per cent. Some additional income is expected from the revision of Licence Fees and Stallage Charges. We also hope to get Rs. 15 lacs more from the various property taxes on account of the increase in rateable value since the Budget Estimates were passed by the Corporation. The income under these various counts is estimated at Rs. 50·40 lacs.

But as against this, we shall have to refund* about Rs. 20 lacs (Rs. 7 lacs for 1946-47 and Rs. 13 lacs for 1947-48) to the Mills as a result of the compromise which we had to make in respect of the suits they had filed against us regarding levy of water charges.

The total amount available for expenditure in 1947-48 is therefore Rs. 587·87 plus Rs. 50·40—Rs. 20 = Rs. 618·27, says Rs. 618 lacs.

6. The anticipated expenditure on the other hand is :—

	Rupees in lacs.
As adopted by the Corporation	579·72
Restoration of cuts	20·14
General Election Expenses	10·86
Additional grant for Schools Committee	15·00
Additional grants for various Departments	20·00
	<hr/>
Total ..	645·72
Say ..	646·00

* The Mills contended that according to Section 140 (a) of the Municipal Act the charge for water levy even by measurement should have some relation to the cost of supplying it. The Act has now been amended, but these suits were filed before the amendment and we have had to agree to levy water charges at Rs. 1-1-0 per 1,000 gallons from 1946-47 to 1949-50, the charges for the previous years 1944-45 and 1945-46 which have already been paid remaining undisturbed. This figure of Rs. 1-1-0 means a reduction of 7 Annas per 1,000 gallons.

7. There is thus a gap of nearly Rs. 28 lacs between the figures of estimated income and expenditure in 1947-48. It is proposed to meet this by utilising about Rs. 20 lacs from the Post-War Reconstruction Fund* after the Act is amended. The balance will perhaps be saved on account of works not being carried out due to scarcity of materials, though this will only mean postponing them to a future date till funds are available.

8. It will thus be seen that the 1947-48 Budget will be a very finely balanced one. We cannot possibly carry on on this precarious basis. The present sources of Municipal revenue as outlined in the Act have stood the pressure of times for the past nearly 60 years, but the time has now come when it will not only be impossible to improve our services but even to maintain them at the present level unless these sources are increased adequately.

II. Why additional sources of revenue are necessary.

9. It will be seen from the figures in paragraph 2 above that whereas the population has increased by about 80 per cent. the rateable value has gone up only by 20 per cent., but the amount of refuse removed has doubled. The extra population of about 12 lacs use our services, water, scavenging, drainage, roads, lighting, hospitals, etc., but pay us almost nothing. This is due to the fact that our principal sources of revenue which account for about 74 per cent. of our income are not as progressive as they would have been in the normal years because there is (a) the Rent Restriction Act which keeps the rateable value of properties stationary and (b) the lack of building material coupled with high cost of labour which hampers building activity.

10. On account of the increase in population, certain Departments which feel the strain of rendering services to such a large population like 27 lacs will have to be strengthened. These are: Public Health, Water Works, Scavenging and Drainage Departments.

11. We shall also have to undertake a heavy programme of Revenue and Capital Works. For example, our roads are badly in need of repairs, so also Municipal properties, plant and machinery which has been heavily taxed on account of intensive use during the War years has not only to be replaced but increased in volume to render more services.

12. The Water Supply of the City is inadequate. Before the War, the average daily domestic consumption per head was about 45 gallons which is the normal daily requirement; now it is about 28 gallons per head per day. To relieve this shortage, we are immediately taking in hand a scheme for bringing about 60 million gallons per day to the City and this will cost us about Rs. 700 lacs. This is obviously not the end of the Water Works Programme as our target, as against the existing supply of about 115 million gallons per day has to be about 250 million gallons per day. Another source for increasing the water supply is under investigation and that scheme when it materialises may cost anything up to Rs. 1,800 lacs (Rs. 16 crores) in addition to the abovementioned figure of Rs. 700 lacs.

13. We have taken over two new Hospitals, viz., Dharavi and Nair, and propose to start a third one for Tuberculosis also.

14. In these modern times, a large public body like the Municipal Corporation can hardly refuse to shoulder responsibility for providing housing for their staff. Out of its staff of about 25,000 (this staff is inclusive of the Schools Committee's staff) in the Municipality at present, only about 7,300 are housed in Municipal houses. Houses must necessarily be provided for the staff of essential services. This programme of housing the essential services staff plus at least some other Municipal staff will cost Rs. 430 lacs.

15. The above excludes expansion of office accommodation which is badly needed on account of the increased staff. There has been a large increase (of about 3,726) in the indoor staff from the year 1945-46. The Head Office as also the Ward Offices have to be extended in this connection.

16. Similarly, out of about 424 schools (and classes) managed by the Municipality at present, only 61 are housed in Municipal premises. It will, of course, be almost impossible to construct buildings for all the schools, but we should certainly aim at providing accommodation for at least 30 per cent. of the school children.

17. It will be also observed from figures in paragraph 2 that the establishment costs have gone up considerably. This is on account of revision of terms and conditions of service of a large portion of the Municipal staff with effect from 1st April 1946. As will be seen from Appendix II

*As the Act stands at present, we cannot use the moneys in the Fund except for specific purposes for which they have been credited, even though we may need funds to meet expenditure on other works which were postponed during the War. For example, there is a provision for construction of staff quarters in the Ramesh Premchand Tuberculosis Hospital, but now when we require money to carry out certain additions and alterations to the building of the Hospital, and to equip it, the Fund cannot be drawn upon. We have therefore requested Government to amend the Act to remove his anomalous position.

of the Establishment Schedule for 1947-48 the bulk of the Municipal staff consists of persons drawing less than Rs. 50 per month excluding Dearness Allowance. Most of them were labourers and scavengers who were on fixed salaries but have now been given time-scale and brought on permanent schedule and made amenable to the Municipal Service Regulations with effect from 1st April 1946. They are given a weekly off which in itself amounted to engaging 1/8th staff extra. In addition, they now get one month's leave with pay, are allowed to contribute to the Provident Fund, and a House Rent of Rs. 6 per month is given to all essential workers numbering about 5,000 for whom we cannot find accommodation. It is the revision of the grades of these categories of Municipal employees which has thrown a very heavy financial burden on the Corporation.

18. The grades of other staff are under revision now, but the cost on that account is included in the figures quoted above.

19. The cost of Dearness Allowance has gone up as the minimum has been raised from Rs. 22 to Rs. 26 and 10 per cent. has been increased to 17½ per cent. subject to a maximum of Rs. 263 per month, abolishing the previous limit of Rs. 1,000 per month up to which only Dearness Allowance was payable till 1st April 1946.

20. We might compare the figures of expenditure for 1945-46 (which might be said to be our last normal year) with the figures for 1947-48 in Appendix No. IX at page 91 of the Budget Estimates for 1947-48 to visualise how the costs under various heads have gone up. But the figures of 1947-48 quoted at page 91 should be modified as mentioned in paragraph 6 above. The result then is:—

	Actuals for 1945-46.	Budget Estimates for 1947-48.	Difference.
	Rs. (in lacs)	Rs. (in lacs)	Rs. (in lacs)
(a) Expenditure which is compulsory	174.26	187.34	13.08
(b) Expenditure of Schools Committee	60.07	85.00	24.93
(c) Controllable expenditure—			
(1) Establishment .. .. .	..	..	..
(2) Labour .. .. .	..	..	..
(3) Revision of grades and service conditions, etc., of the staff	..	..	..
(4) Other items including works from Post-War Reconstruction Fund .. .. .	..	..	..
	85.27	159.13	73.86
	118.53	203.39	84.86
Total	438.13	634.86	195.73

Establishment charges and Dearness Allowance as under could be extracted from the above:—

	1945-46.	1947-48.	Increase.
	Rs. (in lacs)	Rs. (in lacs)	Rs. (in lacs)
Schools Committee—			
Salaries of Superintendents, Teachers and Servants, etc.	33.65	59.29	25.64
Dearness Allowance	11.49	16.97	5.48
Establishment	57.12	90.14	33.02
Labour	23.15	68.99	40.84
Dearness Allowance	42.87	63.50	20.63
Total	173.28	298.89	125.61

21. Expenditure has thus increased by nearly 45 per cent. over the 1945-46 figure, even though a substantial amount of Rs. 10.86 lacs on account of Election Expenses is excluded. Our current sources of revenue cannot possibly meet such a rise in expenditure, much less allow for future needs, immediate and long-term. Additional sources of revenue are therefore necessary (a) to render services to a much larger population than before and (b) to bring the services up-to-date.

III. Limitations of our present sources of revenue.

22. Before dealing with the possibilities of (a) expanding the current sources of Municipal revenue and (b) curtailment of expenditure, it would be appropriate to deal at this stage with the limitations under which the Municipal finances have to operate. The main limitation is, of course, the nature of our principal source of revenue, viz., the properties in the City. Unless the properties increase in proportion to the population living within the Municipal limits, the rise in the income of the Corporation will never be commensurate with the services that they have to render. On the other hand, in a big City like Bombay, the amenities provided by the Corporation are used not only by residents of Bombay but by several lacs coming from the Suburbs in addition to the floating population of thousands who come to Bombay for a few days to transact business. They use our roads, water and sanitary conveniences, but pay nothing to us. Again, the City is a source of income to all the persons working in the Municipal limits, but they do not pay any direct tax to the Corporation. For example, we have to maintain 51.58 lacs square yards of roads in the City, but do not get a share of the Petrol Tax. Our only source of income under this head is the Wheel Tax and the collections under this head are not sufficient to meet the maintenance charges of the roads and lighting, much less the heavier expenditure of extending the existing roads and laying out new ones.

23. A minor limitation is the time usually taken in amending the Municipal Act. Particular reference is invited to the delay in the enactment of the revision of the Town Duty Schedule which was forwarded to Government in 1939, but was not passed into Law till 1947. This meant that the Corporation lost the additional income under this head for a period of over 8 years.

24. Government contribute only Rs. 9.75 lacs towards Primary Education, whereas the expenses of the Schools Committee are mounting from year to year. The figures in 1945-46 and 1946-47 were Rs. 62.33 lacs and Rs. 66.20 lacs (Budget Estimates) respectively, and in 1947-48 though their Budget has been cut down to Rs. 70.00 lacs, we apprehend that they will require about Rs. 92.00 lacs. As matters stand at present, it is difficult to envisage from what source it would be possible to produce this extra Rs. 22 lacs. But the point here is that, unlike in the case of Local Boards and other Municipalities, the Government do not share half the expenses. This is a long-standing grievance of the Corporation and the Government default has continued so long that already the Municipality has lost Rs. 60,08,931-4-10 of its legitimate due from Government up to the end of the year 1946-47.

25. Similarly, the Tolls at the Municipal City limits were abolished in the year 1920 and Government agreed to give us an annual grant of Rs. 25,000 only. While concurring with Government that Tolls are an impediment to traffic, it cannot be gainsaid that the Bombay Municipal Corporation have lost a considerable income from this head. At present nearly 1,200 vehicles not garaged in the City enter the Municipal limits per day and use our roads and lighting, but pay nothing to us as they are not liable to Wheel Tax. Government in order to contribute to the various Local Bodies for their loss on account of abolition of Tolls have enforced registration of vehicles and contributions are made by Government from this source to the various Local Bodies. But the figure for the Bombay Municipal Corporation has been kept down at Rs. 25,000 only, whereas actually from the number of vehicles from outside entering the City limits the contribution should be raised to Rs. 2.50 lacs on the basis of annas 8 per vehicle per day.

26. Another important limitation is Section 154 of the Government of India Act, 1935, which in the opinion of the Central Government precludes the Corporation from levying the General Tax on Central Government buildings. It was with some difficulty that the Central Government agreed to pay us the Water and Halalkhore Taxes and the case of the General Tax is being stated to the High Court. Whatever be the legal interpretation of Section 154 of the Government of India Act, it is doubtful if the Government of India have a moral case to be treated on a footing different from the Provincial Government who do pay the General Tax on their buildings.

27. The Municipal Act, as it stands at present, exempts Defence Service vehicles from payment of Wheel Tax. This provision may have been appropriate till about 15 years ago when Defence Services motor traffic was negligible and mechanisation of the Army was a controversial theory. But in these days when the Army is highly mechanised and usually concentrated in a big City like Bombay which they use as a transit depot, the roads of the City are damaged considerably by this intensive and heavy Defence traffic. As mentioned previously, we estimate that Rs. 90 lacs would be required to repair our roads and we have requested the Central Government to bear at least half the cost under this head. No reply has been received so far.*

*An interesting light on these minor limitations is thrown by the fact that when the Military cordoned off a certain area for the parking of their vehicles, some water hydrants were included in the area. These hydrants were damaged and the Military authorities are denying their liability to make good the damage, in spite of the fact that these cordoned off areas were prohibited areas and no other vehicle could have entered the premises.

IV. Possibilities of expanding current sources of revenue.

28. To meet the heavy demands on services and civic amenities that an expanding population necessitates and which a developing articulate civic consciousness will naturally expect, we have stepped up our current sources of revenue as far as possible and are at the same time examining the possibilities of expanding them as under :

(a) The rateable value of vacant lands at present is determined by the rent they fetch. For example, a plot suitable for building may be given out for cultivation and the rateable value is calculated on the rent of land paid by the lessee for cultivation. It is proposed to amend this and assess the rateable value at 5 per cent. of the capital value of the land.

(b) The Schedule of the Wheel Tax is also proposed to be amended to permit an increase of 50 per cent. under the major heads of taxes payable by motor vehicles.

(c) The Schedule of Town Duties has already been revised and will fetch an additional income of about Rs. 35 lacs.

(d) Similarly, the Schedule of Licensing Fees has been revised and this will give an additional income of about Rs. 4 lacs.

(e) Stallage Charges in the Markets and other Fees have been revised and the increase under this head will be about Rs. 4 lacs.

(f) A Bill to amend the Municipal Act to permit the levy of a Theatre Tax has been passed by the Corporation and is pending before the Government. This will yield an income of about Rs. 4½ lacs.

(g) The levy of a tax on Professions and Trades is under the consideration of the Corporation and when it is passed and enacted into law, it will fetch about Rs. 7 lacs. (Here there is a limitation that a maximum amount of Rs. 50 only can be levied from any one person. It also appears undesirable to impose this tax on those who are not assessed to Income Tax).

(h) The question whether the taxis in the City should pay higher wheel tax than ordinary vehicles as they use our roads more intensively is under consideration. It is believed that such a system obtains in America.

(i) The possibility of a Terminal Tax on passengers was investigated some years ago, but was ruled out as the present Government of India Act does not allow such a levy by the Provincial Government. It may, however, be mentioned here that such a Tax is levied by the Calcutta and Allahabad Corporations.

(j) One point which may be mentioned here is whether the B. E. S. T. after it is taken over will be a source of profit to the Corporation. This question is problematic at this stage and though provision has been made that the B. E. S. T. should contribute Rs. 10 lacs per year to Budget "A" up to the year 1958 as well as 10 per cent. of their profits after meeting all statutory obligations, it remains to be seen how far these obligations can and will be met. It is too soon for us to say what may be the probable income from the working of the Tramway and Electric Supply Undertaking until the amount of our liability to the Company is known. At present, owing to a demand for about Rs. 16 crores made by the Tramway Company, there is, we are afraid, a very little prospect of any net income being derived from the Tramway undertaking.

V. Possibilities of Curtailment of Expenditure.

29. While we are considering the possible sources of additional revenue, it would be natural to ask whether there are no possibilities of reducing the expenditure on some heads by reorganisation, desirable economy, etc.

(a) Most anxious thought has been given under this head, but it is not possible to find out even one item where expenditure can be curtailed if the services to the public are to be maintained at a proper level. On the other hand, supervision will have to be tightened by appointing extra supervisory staff in order to take work from the inferior staff. Further, various Departments are complaining that with the enormous increase in their work, duties and responsibilities with the passage of time and growth of the City, the staff in their Departments has not been proportionately increased. This has been true in many cases, as on account of financial stringency even the budgeted staff has to be drastically curtailed every year to make both ends meet.

(b) The Schools Committee at present hold separate classes for boys and girls on the Marathi Gujarati and Urdu sides. It would be possible to hold joint classes for the Marathi and Gujarati sides, but this would save a small amount in rent only but not in the salaries of teachers, apart from the fact as to whether such a change will be easily feasible.

VI. Our Immediate Programme of Expansion.

30. Funds are required : (a) to replace plant and machinery which was intensively used during the War years and to augment it for rendering services to a larger population, (b) for execution of revenue works which were postponed during the War for want of materials like repairs of roads, buildings, etc., (c) for additional staff necessary on account of the increase in the population, and (d) to execute Loan Works for improving service like Water Supply, Drainage, etc., as also

for construction of buildings both for the staff and for office accommodation. Complete details under the various heads will be found in Appendices 2 to 5. Some of the important requirements of the various Departments under the above heads are examined below :—

31. *Water Works.*—(a) Assuming that the total population in the City of Bombay is about 27 lacs, the average amount of water available daily both for flushing and domestic use is only about 28 gallons per head. The normal domestic requirement per head would be about 45 gallons, i.e., 15 gallons for flushing and 30 for domestic use. Apart from the numerous complaints that are received regarding shortage of water supply, it is obvious from these figures that additional water supply is absolutely necessary for the health and hygiene of the City, not to speak for the expending industries also. The present average daily supply is 115 m.g. and this will have to be increased to about 260 m.g. to meet the normal domestic, industrial, sanitary and other requirements of the City.

(b) The general remark about machinery not having been replaced during the war years on account of non-availability applies to this Department with particular force. It is estimated that the cost of replacement of obsolete machinery will come to about Rs. 8 lacs. In addition, new machinery of about Rs. 10 lacs requires to be purchased making a total of about Rs. 18 lacs for machinery.

(c) Several works which have been approved administratively by the Corporation could not be carried out for want of material. Execution of these works will cost Rs. 8½ lacs. In addition, major repair works are expected to cost Rs. 30 lacs. All these works have to be financed from revenue as their life will not be for 30 years as required for Loan Works.

(d) The annual cost on account of Establishment, exclusive of Dearness Allowance, is Rs. 8.75 lacs. The present establishments is, however, not able to cope with the numerous complaints received and to maintain the water mains and other services in proper condition. No staff is available for preventing wastage of water and this is most essential till additional supply is available. Additional staff costing about Rs. 1.80 lacs is necessary if the Hydraulic Engineer's Department is to be properly staffed.

(e) The cost of an additional supply of 60 m.g.p.d. to be financed from Loan Works under the Vaitarna-cum-Tansa Scheme, together with the laying of new and realignment of the existing mains, construction of Reservoirs at Rowli and Worli Hills, etc. will cost about Rs. 1,000 lacs (Rs. 10 crores). There will be some income from this expenditure, but only when the additional water is available. As the bulk of this supply will be required for domestic consumption, we do not expect an income of more than Rs. 5 lacs after the works are completed after a period of 5 years. An annual increase of Rs. 3 lacs may be expected thereafter, mostly on account of sale of water, till a figure of Rs. 35 lacs is reached. This is the maximum that we may finally expect from the augmentation scheme.

Summary of Cost.

	Rs.	
Replacement of machinery	8	lacs.
Purchase of new machinery	10	lacs.
Revenue Works	8.5	lacs.
Major Repair Works	30.0	lacs.
Additional staff	1.80	"
Vaitarna-cum-Tansa Scheme and Rowli and Worli Hills Reservoirs	1,000.00	(Rs. 10 crores).

32. *Primary Education.*—The Schools Committee asked for a grant of about Rs. 81 lacs in 1947-48. On account of financial stringency however this was arbitrarily cut down to Rs. 70 lacs but the Committee, it is believed, will in due course come forward not only for the restoration of the cut but for an additional grant of about Rs. 11 lacs to meet the revision of grades, making a total of Rs. 92 lacs, which they require in 1947-48. It would not, however, be possible to give them more than Rs. 15 lacs in addition to the grant of Rs. 70 lacs, and we hope that the Schools Committee will find ways and means to balance their Budget within that figure. We might expect that there will be an annual increase of Rs. 5 lacs under the head of Primary Education as the number of pupils increase in the Municipal as well as grants-in-aid schools. We hope that in 3 years' time when the figure of Rs. 100 lacs is reached, the Schools Committee will be able to stabilise their expenditure on that basic figure. This does not mean that the Schools Committee's expenditure will be Rs. 100 lacs every year because as subsequently mentioned it is assumed that any increase in expenditure will be met from the normal expansion of revenues (*vide* Sub-Paragraph 3 of Paragraph 44).

33. *Secondary Education—Opening of Reading Rooms and Libraries.*—There are at present only 13 Municipal Reading Rooms and Libraries. With the advance of literacy, it is essential to provide for the poorer classes of literate population more Reading Rooms and Libraries if they are not to lapse into illiteracy. The existing Libraries are very greatly taken advantage of as can be seen from the mounting figure of readers who read at the Libraries, and depositors, who take away books to read at home. It is proposed to open at least 10 more Reading Rooms and Libraries including a Ladies' and a Children's Library, the initial cost and that for maintenance whereof is estimated at Rs. 25,000 and Rs. 50,000, respectively.

Summary of Cost.

	Rs.	
Non-recurring	25,000	(Revenue Works).
Recurring	50,000	(Staff and Services).

34. *Public Health Department.*—It will be seen from the Budget Estimates for 1947-48 that if a sum of Rs. 5 lacs for the supply of milk to school children is excluded from the total expenditure of about Rs. 20 lacs under the head 'Public Health Department', it is proposed to spend only about Rs. 15 lacs on public health. It hardly needs any emphasis to realise that this expenditure for a City of the size of Bombay with thickly populated localities is absolutely inadequate. Even so, looking to our other financial commitments, it will not be possible to spend a fairly substantial amount under this head; but expenditure under 4 heads mentioned below is really necessary:—

(a) Some expansion of the staff is necessary, especially the appointment of a separate Assistant Health Officer in G Ward. At present this ward is looked after by the Assistant Health Officer in charge of F Ward and his entire charge is very heavy. The cost on account of this will be Rs. 40,000 per annum.

(b) For better supervision it is also necessary to have a Deputy Health Officer in charge of half the area of the City, the other half being directly under the charge of the Executive Health Officer. The cost on account of the Deputy Health Officer and his staff would come to about Rs. 33,000 per annum approximately.

(c) The number of Municipal school-children examined medically each year is hardly about 17 per cent. of the total number. We must aim at the examination of at least 50 per cent. children per year. The cost on account of increase of staff (5 Assistant Medical Officers) for this purpose would be Rs. 13,600 per year.

In addition we shall have to establish school clinics in all important hospitals to follow up the treatment of defective or ailing children. The cost of expansion of the school clinic at the K. E. M. Hospital to enable 6,500 children being treated for 10 months instead of 9 months as at present will amount to an additional Rs. 70,000 (non-recurring) and Rs. 60,000 per annum (recurring).

(d) Typhoid is getting more prevalent in Bombay and measures will have to be taken to combat this disease. It is proposed to do so in the first instance by controlling the fly nuisance, and the destruction of un-wholesome food exposed for sale. This will cost us Rs. 1.60 lacs per annum.

(e) Public Health Propaganda by direct instruction and visual education will have to be considerably enlarged to make the people realise the importance of healthy living and sanitary conditions. Looking to the large percentage of illiterate population in the city, we should spend at least Rs. 1 lac per annum under this head as against the current expenditure of Rs. 29,000.

(f) The Laboratory attached to the Public Health Department requires expansion, especially as it now undertakes routine bacteriological and chemical examination. The different articles examined chemically include milk, ghee, butter, vegetable product, margarine, ice, coffee, flours, turmeric, curds, aerated waters, lozenges, skimmed milk powder, curry powders and spices, clove oil and other food-stuffs. Those bacteriologically examined include Bombay waters from the public supply, water from wells and other sources and milk. Samples for domestic purposes examined at the Laboratory include blood for malaria, and differential counts, sputum for T. B., Swabs for *Diphtheria* urine, stools, smears for venereal diseases.

The work done at the Municipal Laboratory has increased both in volume and importance and the staff provided is not quite adequate. Not only additions are necessary in the technical staff, but the Laboratory, which has now to confine its attention to a few items of examination, requires to be enlarged and developed to make it a self-contained unit. The cost of this expansion approximately comes to Rs. 52,000 per year excluding building and apparatus.

(g) A very important provision towards the improvement of public health is the supply of cheap, adequate and pure milk to the City. The Corporation have long since been trying to solve this problem in a satisfactory manner. Its urgency is so obvious that it needs no emphasis. The whole City and in particular the children and nursing and expectant mothers need an adequate supply of pure milk. The problem is too big to be tackled all at once. But the Corporation think that the Municipality should make a beginning by a token scheme aiming at supplying 1/20th of the milk required in the City as a municipal enterprise. The milk supply in Bombay is described by an expert as inferior to the sewerage water of London which is three times safer. There is therefore no time to be lost. Some practical scheme of milk supply to the City is urgently called for. This can only be done by Government through the Municipality. The provisional estimates that have been made show that a capital of Rs. 1 crore is required immediately to start a model dairy and the milk produced in that dairy should be sold to the public particularly to the women and children and the poor at half the present price of milk. This will cause a recurring loss of Rs. 25 lacs per year.

Summary.

				Rs.
Staff and Services, exclusive of the Milk Scheme	..	..	..	4,35,000
Works to be financed from Revenue	..	..	..	70,000
Milk Scheme				
Initial Expenditure	..	..	..	1,00,00,000
Annual loss on the operation of the Scheme	..	..	..	25,00,000

35. *Medical Relief and Education.*—(a) We have taken over two new hospitals, Bai Yamunabai L. Nair Hospital and Dharavi Hospital during the past year and these will cost us Rs. 13·50 lacs per annum to run. In addition, the Ramesh Premchand Hospital for T. B. will be started and this will cost upto Rs. 2·50 lacs per annum for which there is no provision in the 1947-48 Budget.

(b) There are only 150 beds in the Infectious Diseases Hospital at Arthur Road. For city like Bombay, we should really have at least 500 beds for these Hospitals, but under the financial limitation within which we have to work, it is not possible to achieve this highly desirable objective. We should however, at least have an extra 100 beds and the additional running expenditure for this will be Rs. 2 lacs per annum besides the cost of initial equipment. This accommodation will need to be expanded as early as possible.

(c) The number of Dispensaries at present is only 19, and 7 more are necessary. These Dispensaries also require overhauling as they will have to be better staffed by higher qualified persons and the manner of treatment available thereat has to be improved and expanded. The total cost on account of reorganisation and expansion will be Rs. 1·9 lacs.

(d) 5 Maternity Homes for a City like Bombay are very inadequate, but fortunately they are largely supplemented by private Maternity Homes. Even so, we should have at least 5 more Maternity Homes. The cost on account of this will be Rs. 1·80 lac.

(e) But more emphasis must be laid on increasing the number of Health Visitors. These Health Visitors can go round from house to house, and take care of expectant mothers before child birth and follow up the birth by post-natal advice. This will reduce the infant death rate considerably, the present rate being about 195 per 1,000 births. 50 Health Visitors in all would be needed; the present number thus required to be increased by 35 Visitors. The cost on account of this will come to Rs. 56,000 per year.

Incidentally it may be mentioned under this head that the cost of running all Hospital has issued considerably not only on account of pressure of indoor and outdoor patients but due to the rise in prices, which is reflected in heavy expenditure for diets and medicines. Grants under this head have always to be supplemented as we cannot possibly take the odium of either undernourishing the patients or refusing them admission.

Summary of Cost.

	Rs.
Cost of running two new Hospitals	13·50 lacs.
Cost of running T. B. Hospital	2·50 lacs
Other Services and Staff	6·26 lacs

36. *Street Cleansing and Conservancy.*—(a) It will be seen from paragraph 2 that we dispose of as much as 1,054,780 tons of refuse every year from the City of Bombay as against the figures of 533,210 tons in 1941-42. This has naturally strained our services considerably and an increase of about 20 per cent. in staff is necessary. Besides, the services should be mechanised as early as possible and for this Rs. 31 lacs will have to be set aside to purchase machinery, as all machinery is purchased from revenue in the first instance. We intend to set up some incinerators also in this connection.

(b) An expenditure of about Rs. 10 lacs is necessary to purchase wagons for the Kurla-Deonar Railway which takes our refuse from the Mahalaxmi Siding to Deonar outside the City.

(c) Out of 8,300 essential workers under Street Cleansing, at present only 5,300 are housed and we shall have to undertake the construction of tenements for housing the others. But this question has been referred to jointly for all services as also for office accommodation under the head of Building [Vide paragraph 39].

Summary of Cost.

	Rs.
Staff and Services	9·05 lacs.
Machinery and equipment	41·00 „

ROADS, DRAINS AND SEWERS

37. *New Roads and Maintenance and Improvement of the existing ones.*—(a) Though we maintain 1,58,551 square yards of roads in Bombay, the figure will increase year by year as new roads are constructed when the ex-Trust plots at Worli, Rowli Hill, Dharavi, etc., are sold. We do not get single pie as contribution from the Road Fund and due to heavy military traffic, these roads have been left in a very sorry condition during the War years as material for repairs was not available.

(b) In connection with roads it will be agreed that the road-signs in Bombay are the most inconspicuous feature of the City and at night they are not visible or readable. We shall have to improve these at least on the main roads and light the signs for the benefit of the vehicular traffic which is growing day by day.

(c) Plant and machinery worth about Rs. 15 lacs will have to be purchased to improve the roads in the City.

The projected expenditure within the next 10 years for maintenance of roads is about Rs. 146 lacs as mentioned below :—

	Rs.
(1) Repairs to ordinary bituminized roads (which had remained in arrear during War period)	69,17,841
(2) Bituminizing water bound roads	4,42,860
(3) Renewal of surfaces of roads for which no renewal fund exists and of surfaces of roads taken over from the <i>ex-Trust</i>	51,00,000
(4) Street improvement (metalling roads acquired by set back)	10,00,000
(5) Providing trees on important roads	60,000
(6) Providing benches on roads, Promenades, etc.	66,000
	1,45,88,701

Summary of Cost.

	Rs.
Maintenance of Roads	14·6 lacs per annum
Purchase of machinery	15·0 lacs.

Public Lighting.—(d) The present expenditure on public lighting is Rs. 12·66 lacs per annum. If this is to be improved, an additional amount of Rs. 10 lacs per year will be necessary for the next 10 years to cover the cost of replacing the existing low-powered by higher-powered lamps, of purchasing new lamps, laying new lines, etc., and the increasing consumption of electric current.

Summary of Cost.

	Rs.
Improvement of lighting	10 lacs per annum.

Drains and Sewers.—(e) The bulk of the sewage of the City is drained from the Love Grove Pumping Station. The present Pumps there are not sufficient to cope with the normal discharge even at present and the pumps will have to be supplemented as early as possible. The expenditure under this head will be Rs. 9·80 lacs.

(f) The sewage is pumped through an open channel into the sea. This causes considerable nuisance in the Worli area and when there is a breeze to the south, the smell is felt over Cumballa Hill and other places. It is proposed to have Purification Works at Love Grove just as at Dadar and the cost under this head will be Rs. 3·30 crores.

(g) Similarly, there will be Purification Works at Dharavi which will cost Rs. 2·5 crores. Gas will be produced by a process of digestion of the sludge and this will be utilised for hospitals, street lighting, etc. It is estimated that the total amount of income available under this head will be approximately Rs. 20 lacs, commencing with Rs. 5 lacs and increasing by Rs. 5 lacs annually for the subsequent three years.

(h) In addition to these capital works, plant and machinery worth about Rs. 3·6 lacs has to be purchased for cleansing of drains and sewers. There will also be an increased expenditure of about Rs. 56,000 per annum for maintenance as drains and sewers are extended on account of the *ex-Trust* plots being built over.

(i) It is necessary to have a more energetic policy of acquiring the set-backs. Set-backs have a great value in a modern City from the point of view of health, amenity and easier traffic conditions. The Corporation think that an annual expenditure of Rs. 15 lacs for acquisition will not be too much. Before the War the Municipality had very nearly been spending about Rs. 8 lacs per year for this purpose. Since the war this has been slowed down and it is considered that in the general scheme for the improvement of health and other amenities in the City an expenditure of Rs. 15 lacs per year is not unduly heavy.

Side by side with this, the policy of improvement of private streets, under Section 305 of the Municipal Act, should also be pursued energetically by spending Rs. 5 lacs per year.

Summary.

	Rs.
(1) Purification Works at Love Grove and Dharavi	580·00 lacs.
(2) Plant and Machinery	13·40 lacs.
(3) Recurring expenditure for maintenance of drains	0·56 lacs.
(4) Income from Purification Works	5 lacs rising to Rs. 20 lacs.
(5) Acquisition of Set-backs	15 lacs per annum.
(6) Improvement of private Streets	5 lacs per annum.

MECHANICAL BRANCH.

38. Though we have nearly 200 vehicles (transport and passenger cars and buses) in charge of the Mechanical Engineer, there is no yard where these can be garaged and there are no servicing facilities. We must obviously provide for garaging and servicing our vehicles properly, if they are to give us good service, which would result in prolonging their life. Construction of the yard and providing service facilities for the vehicles will cost Rs. 10 lacs.

Summary of cost.	Rs.
Yard and Servicing facilities	10 lacs. (Loan Works).

BUILDING.

39. (a) We are very cramped for space in our office accommodation as would be evident from a casual visit to any of our offices. The extension of the Head Office itself is estimated to cost Rs. 40 lacs and the construction of Ward Offices will cost Rs. 24 lacs. At present the Ward Offices of various Departments are scattered all over the Wards and these will have to be put at one central place, so that complaints from the public on account of various heads like water, drainage, sanitation, can be attended to more promptly.

(b) Nearly 5,000 essential municipal servants are at present drawing house rent allowance of Rs. 6 per month and accommodation for housing them will have to be provided. Construction of 5,000 tenements will cost at least Rs. 2.50 crores.

(c) In addition, a large body like the Bombay Municipal Corporation can hardly fail to fall in line with the recent Government policy of housing some of their low-income employees even though they may be classed as non-essential. We should construct at least 3,000 three-room tenements for our subordinate staff. This will cost Rs. 1.8 crores at Rs. 6,000 per three-room tenement.

(d) Buildings will have to be put up at the Dharavi Hospital and additions are necessary at the Ramch Premchand T. B. Hospital. Buildings for the staff are also necessary for the Nair Hospital.

(e) Similarly we must build in the near future at least 50 buildings for Municipal schools as at present only 61 are housed in Municipal buildings. The cost under these various heads will amount to Rs. 1 crore.

(f) We must also modernise the 17 Markets and the Slaughter Houses and it is proposed to construct three or four-storeyed structures for this purpose. The top floors can be used as Ward Offices or residential quarters. The cost of modernising the markets will amount to Rs. 1.09 crores.

(g) The Municipal Printing Press is now located in a cramped, ill-lighted portion of the Improvement Trust Building. It has to be shifted to a suitable building designed and constructed specially for locating a Press and it is estimated that the building will cost Rs. 7 lacs.

(h) In a modern city like Bombay we have also to build structures for amenities like Public Health Museum, Civic Institute, Swimming Pool, etc., provision for which has been made in the Building Programme.

Summary of Cost :—	Rupess lacs.
(1) Construction of Head Office (Expansion)	40
(2) Construction of Ward Offices	24
(3) Housing Programme	430

CITY ENGINEER'S DEPARTMENT.

40. The three Budget Heads, VIII—Roads, Drains and Sewers, IX—Mechanical, and X—Buildings, Land Acquisition and Management are under the City Engineer (now Special Engineer), and it is necessary to give the Special Engineer some additional staff to cope with the increased work. The Mechanical Branch and the Architectural Branch specially require re-organisation. An amount of about Rs. 3 lacs would be required for the purpose.

Summary of cost.	Rs.
Staff	3 lacs per annum.

GARDENS AND OPEN SPACES.

41. The number of gardens in the City is obviously insufficient and for want of adequate staff several of them, especially the small ones, are not looked after properly. The public use them more as a place of rendezvous than recreation. We have therefore not only to increase the number of gardens but to appoint additional staff to look after the existing and proposed new gardens. We shall have to spend at least Rs. 5 lacs for laying out a few new gardens and the additional cost of maintenance of the existing and proposed new gardens would be about Rs. 1 lac a year.

Summary of cost :—	Rupees per annum in lacs.
(Revenue Works) Non-recurring	5
(Staff and Services) Recurring	1

OTHER ADDITIONAL MUNICIPAL ACTIVITIES.

42. (a) Certain Municipal activities will also require to be taken in hand almost immediately. For example, the Corporation has approved the appointment of a Labour Officer and the Government have given their consent to the proposed qualifications prescribed for the post. This Officer is necessary to look into the needs and grievances of the large personnel of labour numbering about 20,000 employed by the Corporation.

(b) Similarly, a Publicity Officer is very essential. At present the public are not aware of the difficulties experienced by the Municipal Officers in the discharge of their duties, and there is consequently lack of co-operation from the public. In the same connection, it may be stated that there is not even an up-to-date guide of Bombay for the benefit of visitors who come to the City. This and similar activities must be taken in hand in modern times.

(c) Statistics are practically unknown except in so far as they are maintained by the Departments concerned for their own purposes. Problems can be solved more easily and more methodically if statistics of living accommodation, single-room tenements, etc., were available. It is proposed to start a separate statistical section under the charge of the Publicity Officer.

(d) A Research Laboratory is another item which can well prove of immense use in combating diseases, carrying out experiments on drainage, water works, roads, etc.

The above schemes have not yet been worked out in full, but the fact that they will have to come sooner or later cannot be denied. The first three would cost about Rs. 20,000 per annum each and the Research Laboratory may cost about Rs. 40,000 per annum.

VII. Our Future Budgets.

BASIC FIGURE OF INCOME.

43. If we deduct the Government contribution of Rs. 30 lacs in 1947-48, the estimated income according to the Budget Estimate would be (Rs. 571-30) = Rs. 541 lacs.

From this we shall have to deduct for future years the loss on account of reduction in water rate charges for the Mills (at Rs. 1-1-0 instead of the former Rs. 1-8-0 per 1,000 gallons) which is approximately Rs. 13 lacs.

The amount in the Land Sales Reserve Fund will last only 2 years, which means that there will be another reduction of Rs. 10 lacs per year, giving a figure of (Rs. 541 - 23) = Rs. 518 lacs.

To this may be added about Rs. 47 lacs on account of increase under the heads of Town Duties, Fire Tax Markets and Licence-Fees and another Rs. 15 lacs from various property taxes due to increase in rateable value, making a total of (Rs. 518 plus 62) = Rs. 580 lacs.

Rs. 580 lacs may be taken as the Basic Figure of Income for our future calculations.

44. The following additions to the above Basic Figure may be expected :

(a) Rs. 10 lacs each year for 1948-49 and 1949-50 only from the Land Sales Reserve Fund.

(b) Rs. 43 lacs in the Post-War Reconstruction Fund which has to be utilised before 31st March 1951. (We may take credit at the rate of Rs. 14 lacs for the first two years and Rs. 13 lacs for the last year).

(c) An income of Rs. 4½ lacs from the Theatre Tax from 1948-49 provided the Bill sent to Government is passed into law during the current financial year.

(d) An income of Rs. 4 lacs from the increase of taxes payable by certain class of vehicles on the assumption that the Corporation will pass this and Government will amend the Act accordingly. (Revenue from this source is expected from 1949-50).

(e) The Profession Tax may be anticipated to give Rs. 7 lacs from 1949-50, provided the Corporation pass and the necessary amendment of the Act is enacted by Government before 31st December 1948.

(f) Rs. 5 lacs may accrue in 1953-54 from augmentation of Water Supply, rising by Rs. 3 lacs every year to a maximum of Rs. 35 lacs.

(g) Rs. 5 lacs may be expected from Purification Works in 1952-53 rising to Rs. 20 lacs by an increase of Rs. 5 lacs each year.

(h) The income from 2 room tenements (3,000) for the subordinate staff would begin to accrue from 1955-56, starting with Rs. 20,000 only in that year but increasing to Rs. 7.40 lacs from 1956-57 onwards.

Appendix 6 shows the income from 1948-49 to 1958-59 (both years inclusive) on the above basis.

No account has been taken here of increase in income on account of increase in rateable value, as we may safely assume that any such income will be absorbed by increase in current expenditure for expansion of services. This is based on the fact that from 1922-23 to 1944-45 the Property Taxes remained stationary, except for two years in 1934-35 and 1935-36.

Some contribution to the 'Greater Bombay' Budget will have to be made from Budget 'A' as we contribute at 2 per cent. of our rateable value to the Improvement Trust Budget. It is suggested tentatively that the income from the B. E. S. T. Undertakings would suffice for this purpose, but it may be that we may have to contribute something more and to that extent there will be a drop in the Basic Figure of Income of Rs. 580 lacs assumed above.

BASIC FIGURE OF EXPENDITURE.

45. The Basic Figure of Expenditure for the future on the other hand, will be pretty high. On the basis of 1947-48 estimates, if Rs. 11 lacs are deducted on account of Election Expenses in that year, the figure would be Rs. 635 lacs.

To this, however, must be added the current expenditure under the following heads:

- (a) Rs. 2.5 lacs for the Ramesh Premchand Tuberculosis Hospital.
- (b) Rs. 2.5 lacs to be set aside every year so as to meet an expenditure of Rs. 10 lacs under Election Expenses every fourth year.
- (c) Rs. 5 lacs—additional grant for Schools Committee in 1948-49, rising to Rs. 15 lacs by an increase of Rs. 5 lacs every year.
- (d) An amount of Rs. 97 lacs required for the purchase of Plant and Machinery. (The total amount required is Rs. 115 lacs, whereas there is an accumulation of only Rs. 18 lacs in the Plant and Machinery Depreciation Fund).
- (e) An amount of Rs. 80 lacs for execution of Revenue Works postponed during the War.
- (f) Rs. 14 lacs annually for the next 10 years for the improvement of roads.
- (g) Rs. 10 lacs each year for improvement of lighting.
- (h) Rs. 27 lacs annually for immediate augmentation of staff and the services.
- (i) Debt charges on account of new loans to be raised after offsetting the reduction under this head due to repayment of past loans.
- (j) Rs. 25 lacs annually for subsidizing milk produced in the proposed Municipal Model Dairy and sold to the public.

Block figures of expenditure for the years 1948-49 to 1958-59 based on the above are shown in Appendix 7. Appendix 8 shows the rebatement in our present debt charges on account of repayment of past loans and Appendix 9 gives figures of future debt charges on account of our Loans Programme, taking into consideration the rebatement in the previous Appendix. It is the net figures of debt charges which will be taken into consideration in the estimates of block expenditure.

46. It may be pointed out here that the principal Loan Works are on account of:—

- (i) Improvement in Water Supply.
- (ii) Drainage including Purification Works.
- (iii) Markets.
- (iv) Building including housing.
- (v) Road Construction.
- (vi) Construction and equipment of a Municipal Model Dairy.
- (vii) Street improvements (Acquisition of Set-backs) and
- (viii) Improvement of Private Streets.

We shall have to take almost all these works simultaneously in hand provided materials and labour are available. In any case, the schemes for augmentation of Water Supply and consequent expansion of drainage facilities will be started in 1947-48 and carried on intensively in the subsequent five years till they are completed, though we may assume that the position in 1948-49 will not

be very favourable as regards the supply of materials and that it will not be possible to spend more than Rs. 200 lacs (Rs. 2 crores) in that year. Thereafter, we aim at spending Rs. 300 lacs (Rs. 3 crores) every year to meet our Capital Loan Works to the extent of about Rs. 3,200 lacs (Rs. 34* crores).

VIII. What additional sources we request Government to make available to us.

47. The Committee are no doubt aware that we have a longstanding dispute with Government about what additional sources of revenue should be made available to the Corporation. We get Rs. 9.75 lacs as contribution towards Primary Education. This figure is based on a 50 per cent. share of Primary Education expenses which were Rs. 19.50 lacs several years ago, and as stated before though the Government give 50 per cent. of such expenses to all other Municipalities and Local Boards, we are still restricted to get a contribution of Rs. 9.75 lacs only. A case in the High Court was actually filed in this connection, but the Municipality lost it on a technical ground.

Government have also denied us any share in various taxes, like the Betting Tax, Stamp Duty, Entertainment Tax, etc. In this connection, reference is invited to His Worship the Mayor's letter No. 5613, dated the 11th October 1946.

On the other hand, Government have not hesitated in imposing an Urban Immoveable Property Tax on the properties in the City, which, as will be seen, are our principal source of tax-revenue. It is true that this Tax was at first levied with a view to meeting the deficit which the Government faced on account of their Prohibition Policy, but later on it was continued and dissociated from that deficit. We most emphatically urge that this is the most direct encroachment on a source of Municipal revenue, and in our present financial circumstances this encroachment should be forgone immediately with a view to help Municipal finances.

We suggest therefore that the Urban Immoveable Property Tax should be abolished, and we should be allowed to levy an Education Cess up to a limit of 7 per cent. We shall levy the Education Cess at 5 per cent. bringing us an income of about Rs. 80 lacs. The landlords who have suffered heavily during the War years as they could not carry out repairs to their buildings would thus get relief by way of 2 per cent. rebate, which would induce them to carry out the necessary repairs. The Corporation however desire to make it clear that in the legislation giving effect to this proposal definite provision should be made so that it should not be possible for the landlord to pass on the burden of the Education Cess to the tenants.

It is also suggested that Government should give us the entire proceeds of the Entertainment Tax in the City after deducting their collection charges. This practice already prevails in the Madras Presidency and is a logical conclusion to the fact that it is because of facilities provided by a Local Body that the population within its area enjoys certain amenities and benefits. We shall perhaps get about Rs. 40 lacs under this head, which may rise to Rs. 50 lacs when more cinemas are constructed in the City.

In addition, we suggest that there should be a levy of one anna per gallon on sale of petrol within the Municipal limits. This will not weigh heavily on the public and the tax will be paid by persons who can well afford to do so. It would bring an income of about Rs. 4.5 lacs.

We also claim that Government should give us Rs. 2.5 lacs on account of abolition of Tolls. This would mean an increase of Rs. 2.25 lacs, as we already get Rs. 25,000 from Government under this head.

48. The above four items would yield an income of Rs. 126.5 lacs which may rise in due course to Rs. 146.25 lacs. But as will be seen from Appendix 10, which shows the difference between the block estimates of expenditure and income, the two additional sources together with the levy on sale of petrol and an increased contribution from abolition of Tolls will not meet the deficit. It is therefore suggested that Government should give us a non-recurring grant of Rs. 100 lacs (Rs. 1 crore) for repairs of roads. As has already been mentioned before, we claimed Rs. 45 lacs from the Government of India and that we never got a single pie as contribution from the Road Fund. Government should therefore come to our rescue in this case, and if we are lucky to get Rs. 45 lacs from the Government of India, we would ask only for Rs. 55 lacs from the Government of Bombay. It is, however, suggested that the Government of Bombay should give us the entire amount of Rs. 100 lacs (Rs. 1 crore) and get Rs. 45 lacs themselves from the Government of India because whether we get the grant from the Government of India or not, we shall necessarily require Rs. 100 lacs (Rs. 1 crore) for repairs of roads.

*When the Departments were asked to prepare their programme of Loan Works, the final figure arrived at was about Rs. 7,000 lacs (Rs. 70 crores). It is obvious that we cannot possibly raise a debt of that magnitude both on financial grounds and because we cannot borrow up to more than twice our rateable value. We may assume that the rateable value will go up to Rs. 2,000 lacs (Rs. 20 crores) in due course on account of the construction of additional buildings, though to what extent such a position will be realised when stables are removed from the City and some of the Industries move outside Bombay remains problematic. Even so, we might take this figure of Rs. 2,000 lacs (Rs. 20 crores) of rateable value and in that case our total debt cannot exceed Rs. 4,000 lacs (Rs. 40 crores). For obvious financial reasons, it would not be advisable to borrow up to this full limit, and we have therefore limited our programme to a maximum loan of Rs. 3,400 lacs (Rs. 34 crores) only.

49. Even with the grant of Rs. 100 lacs (Rs. 1 crore), there is still a large deficit of nearly Rs. 250 lacs within the next 11 years. We can only meet this by cutting down the requirements for plant and machinery to about Rs. 80 lacs, by reducing the expenditure under Revenue Works from Rs. 80 to Rs. 60 lacs, postponing the programme of improvement in lighting and allowing for an increase of Rs. 12 lacs only per annum for additional staff.

50. It will therefore be seen that in spite of our demands mentioned above, we shall have to make large cuts in various items of expenditure. We hope that the Committee will therefore agree with us that additional sources of revenue are absolutely necessary and that they will accordingly recommend to Government to give us what is a very modest share of our dues, viz. :—

(i) Abolition of the Urban Immoveable Property Tax and our imposition of Education Cess up to 7 per cent. of the rateable value ;

(ii) Entire proceeds of the Entertainment Tax in the City allowing for collection charges ;

(iii) A levy of 1 anna per gallon on the sale of petrol ;

(iv) Rs. 2.50 lacs in lieu of tolls instead of Rs. 25,000 ; and

(v) A non-recurring grant of Rs. 100 lacs (Rs. 1 crore) for roads.

50-A. We also request that a share in the following taxes as demanded in His Worship the Mayor's letter No. 5613, dated the 11th October 1946, referred to in Paragraph 47 be allotted to us so as to enable us to make up the aggregate deficit of Rs. 250 lacs referred to in paragraph 49—

Petting Tax.
Electricity Duty.
Transfer of Property Tax.
Tobacco Duty.

50-B. That in the event of fluctuations in the price level, we beg to submit that if the price level rises the proportion of the share of taxes claimed should be greater and that if the price level goes down and the Corporation gets a little surplus they should be allowed to retain the same to improve its general services.

51. If the Committee desire any further information formally or informally, the Municipal Commissioner will be only too glad to supply it.

52. We have got one last request to make and that is that the recommendations of the Committee may please be made early and expeditiously to Government, so that necessary orders can be passed to enable us to take the additional sources of revenue into consideration while framing our 1948-49 Budget.

Appendices.

Appendix 1	.. How the rateable value is calculated.
Appendix 2	.. Plant and Machinery.
Appendix 3	.. Revenue Works postponed during the War.
Appendix 4	.. Additional Staff.
Appendix 5	.. Loan Works.
Appendix 6	.. Estimated Income for the years 1948-49 to 1958-59.
Appendix 7	.. Estimated Expenditure for the years 1948-49 to 1958-59.
Appendix 8	.. Rebatement in present Debt Charges.
Appendix 9	.. Future Debt Charges.
Appendix 10	.. Difference between Expenditure and Income.

APPENDIX 1.

The rateable value of land and buildings is determined in terms of Section 164 of the Municipal Act, which lays down that in order to arrive at the rateable value of any building or land a deduction of 10 per cent. should be made from the annual rent for which such land and buildings might reasonably be expected to let from year to year the deduction being intended to be in lieu of all allowance for repairs or any other account whatever. The difficulty of applying such a rule in the case of properties which are not let or where there can be no evidence of rental value is apparent. In such cases, the principles on which the values of various classes of properties are determined in England for the purposes of rating are adopted, viz., the comparative test, the contractor's test, the profits basis or combination of the last two. Under the comparative test, the rateable value of an *unlet* building is fixed by comparing it with similar property *let* in the same locality. The Contractor's test (that is the interest on cost which a contractor would require if he provided the land and building) is applied in Bombay to all Government properties which are occupied for public purposes. Profits basis (also known as accountancy method) is adopted in the case of the Western India Turf Club (Race Course) and the Port Trust. A combination of the contractor's test and the profits test is employed in the valuation of Railway properties in Bombay.

Under the provisions of the Municipal Act, assessment of properties has to be made every year. Properties are accordingly inspected each year from April to November and necessary changes in the assessment book are made for the ensuing year. Where increase in value is called for the owners are given notice. In other cases a general notice is given to the ratepayers in December every year informing them within what time they should complain if they have any objection to the continuation of existing values. When all complaints are received, they are investigated, and the values fixed by the Investigating Officers are confirmed or authenticated by the Municipal Commissioner whereupon the said values become final for the official year, subject to any alteration that might be made by the Chief Judge of the Small Causes Court on appeal, within 15 days after the disposal of the complaint. There is no further appeal from the decision of the Small Causes Court. The Municipal Commissioner may amend the values during the course of an official year where there is a structural alteration or new construction, demolition or change of user or for any other valid and justifiable reasons.

APPENDIX 2.

Plant and Machinery.

Serial No.	Department or Service Head.	Purpose for which the Plant and Machinery is required.	Estimated Cost.	
			Rs. (in lacs.)	Rs. (in lacs.)
1	Hydraulic Engineer's	.. For replacement of existing worn out machinery	..	8·00
		New machinery required for bringing the services up-to date	..	10·00
			—————	18·00
2	Drainage	.. For replacement of machinery and for Purchase of new machinery	..	3·59
3	Pumping Stations & Purification Works.	& Pumping plant and machinery	..	10·75
4	Street Cleansing and Conservancy.	Purchase of Conveyors for unloading 100 wagons.		1·00
5	Do.	.. Replacement of bullock carts	..	3·12
6	Do.	.. Purchase of wagons for Kurla-Deonar Railway	..	10·00
7	Roads	.. Purchase of road rollers, road laying machinery, etc.	..	15·28
8	Transport Section	.. New and in replacement	..	43·05
9	Municipal Workshops	.. Equipment required—part in replacement and part for augmentation	..	1·61
10	Markets & Slaughter Houses	.. Refrigerator Plant for Arthur Crawford Market.	..	6·00
11	Printing Press	.. For Offices and expansion of the Press	..	3·00
				—————
			Total ..	115·40

APPENDIX 3.

Revenue Works.

Department.	Purpose for which the amount is required.	Amount.
		Rs.
		(in lacs).
Hydraulic Engineer's	(i) Execution of works which have already been administratively approved.	8·50
	(ii) Major repair works which have been approved	30·00
Secondary Education	Establishment of Libraries	0·25
Public Health	Works in connection with the expansion of the School Clinic at the K. E. M. Hospital.	0·70
Buildings	Repairs to Municipal Properties together with improving the facilities in the Head Office.	32·00
Gardens	Improvement of Gardens	5·00
Drainage	Repairs, Renewals, etc., to the Ejectors (of the Compressor Stations).	3·00
Do.	Special repairs to Purification Works	0·66
	<i>Say Rs. 80 lacs.</i>	Total .. 80·11

APPENDIX 4.

Additional Staff.

Serial No.	Department or Service Head.	Reasons for which the staff is required.	Amount required for additional Staff and services.
			Rs.
			(in lacs).
1	Hydraulic Engineer's	Additional staff for prevention of wastage of water, etc., and to man the H. E.'s Department properly.	1·80
2	Secondary Education	Opening of Reading Rooms and Libraries.	0·50
			Rs.
			(in lacs.)
3	Public Health	(i) Separation of F and G Wards	0·40
		(ii) Appointment of Dy. Health Officer and his staff.	0·33
		(iii) Medical examination of school children.	0·13
		(iv) Expansion of School Clinic at K. E. M. Hospital.	0·60
		(v) Prevention of Typhoid	1·66
		(vi) Public Health Propaganda	0·71
		(vii) Expansion of the Laboratory attached to the Public Health Department.	0·52
			4·35
4	Medical Relief and Education.	(i) Expansion of Arthur Road Hospital	2·00
		(ii) Reorganisation and Expansion of Dispensaries.	1·90
		(iii) Increase in Health Visitors	0·56
		(iv) Increase of Maternity Homes	1·80
			6·26

APPENDIX 4—contd.

Serial No.	Department or Service Head.	Reasons for which the staff is required.	Amount required for additional Staff and services.	
			Rs. (in lacs)	Rs. (in lacs)
5	Street Cleansing and Conservancy.	Increase in staff for rendering adequate conservancy services.		9 05
6	Special Engineer's ..	Staff required for the three Budget Heads, VIII.—Roads, Drains and Sewers, IX.—Mechanical and X.—Buildings, etc., which are under the Special Engineer.		3 00
7	Gardens ..	Improvement of Gardens ..		1 00
8		Staff required for additional activities like Labour Officer, Publicity Officer, Statistical Branch and Research Laboratory.		1 00
			Total ..	26 96

APPENDIX 5.

Summary—Loan Works.

		Rs.
1	Water Works Department	crores.
2	Drainage and Purification Works	10 67
3	Building Programme including Housing	10 45
4	Road Construction Programme	8 94
5	Acquisition of set-backs and Improvement of Private Streets	2 07
		2 00
		Lacs.
(a) Acquisition of set-backs Rs. 15 lacs per year for the next 10 years		= 150
		Total ..
		34 13
(b) Improvement of Private Streets Rs. 5 lacs for the next 10 years		= 50
		Rs. 200 lacs.

Loans Works Programme.

Serial No.	Particulars of the work.	Amount.
WATER WORKS DEPARTMENT.		
1	Repairs to Tansa Duct line including 2" thick reinforced gunite to the floor, side walls and roof, lining with cement concrete and brick 6" to one foot thick and removal of projections of floors, sides and roof of the tunnels, acquisition of private land, etc.	Rupees (in lacs) 55 75
2	Improvement of distribution system in the City (Pipe laying works)	50 00
3	Vaitarna Scheme (including additional main from Ghatkopar or Powai to Bombay and third 72" main from Tansa)	69 00
4	Construction of two Balancing Reservoirs for the North of the City (At Rowli and Worli Hills)	100 00

APPENDIX 5—contd.

Serial No.	Particulars of the Work.	Amount.
		Rs. (in lacs.)
5	Providing two openings in the Tansa Dam at Lake Level 360 T.H.D. Construction of a Coffor Dam—Providing Penstocks, laying 2 Nos. 57" steel mains (3,000 R.ft.) to meet 72" mains	13·15
6	Providing pumping arrangement for utilising contents of Tansa Lake between Lake Levels 385 and 365 T.H.D.	10·17
7	Provision of automatic shutters over the waste-weir of the Tansa Dam and incidental works	15·00
8	Laying a new trolley track along Tulsi main from Tulsi to Marol	5·00
9	Conversion of underground hydrants (4,849) into stand-post hydrants	15·00
10	Provision of concrete blocks under steel mains	50·00
11	Providing hydrants where there are none or where additional hydrants are necessary	5·00
12	Treating of steel mains in the City with reinforced gunite	25·00
13	Purchase of new meters (for replacing old ones and meeting the greater demand for industries)	10·00
14	Renewal of trolley track in syphons	7·00
15	Diversion of Tulsi Trolley track	2·00
16	Overhauling the present telephone system. (The present system has become very old and requires complete overhauling)	1·00
17	Service Road along Duct Line. (At present there is no proper arrangement for transport along Duct Line. It is necessary to provide a service road by the side of the Duct Line, if necessary, by acquiring land)	12·00
	Total	1067·07

DRAINAGE WORKS.

1	Renewing and re-modelling the old subsidiary storm water drains in the City	18·00
2	Providing underground storm water drains in lieu of the open side drains in the City	43·23
3	Providing sewers in certain roads where no sewer exists	13·00
4	Providing pumping stations in lieu of ejectors at Robert Road and Afghan Churon in Colaba area	15·00
5	Sewers at Nepean Sea Road, Banganga Road and Warden Road	13·00
6	Extension of Purification Plant at Dadar	30·00
7	Extension of Pumping Station at Matunga Road and connecting to the existing Ovoid Sewer	1·00
8	Installation of two additional pumping sets with electrical equipment and the extension of Matunga Pumping Station	0·72
9	Providing a pumping station in place of Ejector at Church Street	3·00
10	27" Sealed Sewage Main from Matunga Pumping Station to the Head Manhole of the 36" Sewer	1·88
11	Providing relief drains, etc., for preventing the flooding at Vincent Road near Poibavdi	2·53
12	Covering of open storm water channels in the City	222·05
13	Works in connection with the removal of surcharged condition of sewers in the City	88·00
14	Sewers in Worli and Globe Mill Areas	22·00
15	Sewerage Scheme for Dharavi Outfall Works	206·10
16	Purification Works at Love Grove	350·00
17	Additional Pumping Stations at Love Grove with rising mains and balancing chambers	9·80
18	Extending the existing 2'-6" × 3'-9" Ovoid sewers in Vincent Road towards south upto Poibavdi junction	1·04
19	Street (sewers and drainage) connections in different parts of the City	5·00
	Total	1045·35

APPENDIX 5—contd.

Serial No.	Particulars of the Work.	Amount.
BUILDING PROGRAMME.		Rs. (in laes).
1	Extension of the Head Office Building	40·00
2	Civic Institute	6·00
3	Extension and rebuilding of Central Stores	25·00
4	Construction of Municipal School Buildings in different parts of the City	100·00
5	Health Museum	3·00
6	Swimming Pool	3·00
7	Extension of Cemetery at Worli	2·00
8	Construction of T. B. Clinic	5·00
9	Re-modelling of the Arthur Road Hospital	25·00
10	Re-modelling of the Maratha Hospital	10·00
11	Completion of the remaining works to be done at K. E. M. Hospital	25·00
12	Construction of Public Conveniences in different parts of the City	5·00
13	Fire Brigade Station at Worli	8·00
14	Fire Brigade Station in Port Trust area	5·00
15	Construction of new Ward Office and remodelling of the existing Ward Office Buildings	24·00
16	Re-modelling of existing dispensaries	5·00
17	New V. D. Clinic	4·00
18	Additional works at Ramesh Premchand T. B. Hospital	5·00
19	Improvements and additions to the B. Y. L. Nair Hospital to be shifted to Sion	10·00
20	Re-modelling of Arthur Crawford Market and other Markets, and Slaughter Houses including the construction of a new Slaughter House	100·00
21	Cold storage arrangement at Arthur Crawford Market and other Markets	12·00
22	Construction of permanent buildings for Dharavi Hospital	25·00
23	Construction of 5,000 tenements for inferior staff (exclusive of cost of land)	250·00
24	Construction of 3,000 × 3 room tenements for the subordinate staff	180·00
25	Building for the Printing Press	7·00
26	Construction of a Servicing Yard and providing facilities thereat	10·00
	Total	894·00
ROAD CONSTRUCTION PROGRAMME.		
<i>Works Branch—Budget A.—Roads, Footpaths, Promonades, etc.</i>		
1	Permanent construction of main arterial roads in the City	125·00
2	Permanent construction of narrow bye-lanes in the City	2·53
3	Widening Chowpatty Sea Face Road and Providing Storm Water Drain thereat	4·00
4	Construction of roads in Golanji Hill Estate and construction of remaining portions of Tripartite Road	9·50
5	Permanent construction of existing Kacha footpath	48·00
6	Construction of footpaths on roads where no footpaths exist	6·75
7	Widening foot-over bridge at Dadar	4·27
8	Foot-overbridge at Mathew Road and Marine Drive	0·80
9	Foot-overbridge at Princess Street and Queen's Road	1·24
10	Raising the Sea Wall and providing a promenade at Hornby Vellard	2·00
11	Traffic Islands at junction, refuge islands, pedestrian guard rails, traffic signals, etc.	3·75
	Total	207·84

APPENDIX 6,

Estimated Income.

(In lacs of Rupees).

	1	2	3	4	5	6	7	8	9	10	11
	1948-49.	1949-50.	1950-51.	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.	1956-57.	1957-58.	1958-59.
(1) Basic figure of income ..	580	580	580	580	580	580	580	580	580	580	580
(2) Contribution from Land Sales Reserve Fund ..	10	10	..	..	..	..	..	..	..	..	..
(3) Transfer from the Post War Reconstruction Fund ..	14	14	13	..	..	..	..	..	..	..	..
(4) Theatre Tax ..	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
(5) Wheel Tax additional ..	..	4	4	4	4	4	4	4	4	4	4
(6) Profession Tax ..	..	7	7	7	7	7	7	7	7	7	7
(7) Water Supply ..	..	..	..	..	..	5	8	11	14	17	20
(8) Purification Works ..	..	..	..	..	5	10	15	20	20	20	20
(9) Income from housing ..	..	..	..	..	..	..	..	20	7.40	7.40	7.40
	608.5	619.5	608.5	595.5	600.5	610.5	618.5	626.70	636.90	639.90	642.90

APPENDIX 7.

Estimated Expenditure.

(In lacs of Rupees).

	1948-49.	1949-50.	1950-51.	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.	1956-57.	1957-58.	1958-59.
(1) Basic figure	635	635	635	635	635	635	635	635	635	635	635
(2) Ramesh Premchand Hospital	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
(3) Election expenses fund ..	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
(4) Schools Committee ..	5	10	15	15	15	15	15	15	15	15	15
(5) Purchase of Plant and Machinery	25	30	30	12	..	..	..	..	..	..	..
(6) Revenue Works	30	30	20	..	..	..	..	..	..	..	..
(7) Improvement of Roads	14	14	14	14	14	14	14	14	14	14	14
(8) Improvement of lighting	10	10	10	10	10	10	10	10	10	10	10
(9) Immediate Augmentation of staff	27	27	27	27	27	27	27	27	27	27	27
(10) Initial cost of the proposed Subsidised Milk Scheme	25	50	25	..	..	..	..	..	..	..	..
(11) Loss on Milk Scheme .. .. .	..	..	25	25	25	25	25	25	25	25	25
Total	776.0	811.0	806.0	743.0	731.0	731.0	731.0	731.0	731.0	731.0	731.0
(12) Debt charges	11.63	28.43	45.85	65.05	77.20	74.70	72.33	73.54	65.54	93.02	108.13
	787.63	839.43	851.85	808.05	808.20	805.79	803.38	797.71	807.54	824.02	839.13

APPENDIX 8.

*Repayment of Loans.**Progressive Savings in Interest Charges.*

Saving to accrue during the year.						Amount saved.
						Rs.
1947-48	..	..	..	..	..	1,31,823
1948-49	..	..	..	..	..	37,500
1949-50	..	..	..	..	..	2,40,341
1950-51	..	..	..	..	..	1,78,113
1951-52	..	..	..	..	..	....
1952-53	..	..	..	..	..	7,05,081
1953-54	..	..	..	..	..	21,61,154
1954-55	..	..	..	..	..	21,55,554
1955-56	..	..	..	..	..	24,87,991
1956-57	..	..	..	..	..	9,37,923
1957-58	..	..	..	..	..	2,72,032
1958-59	..	..	..	..	..	4,09,827
Total ..						97,17,339

APPENDIX 9.

Future Debt Charges.

(Figures in lacs of rupees).

Year.	Cost of Loan Works during year.	Total Loan outstanding for the year.	Total debt charges.	Progressive abatement in current debt charges on account of repayment of matured debts.	Net debt charges. (4-5)
1	2	3	4	5	6
1948-49	.. 200	200	12	0·37	11·63
1949-50	.. 320	520	31·2	2·77	28·43
1950-51	.. 320	840	50·4	4·55	45·85
1951-52	.. 320	1,160	69·6	4·55	65·05
1952-53	.. 320	1,480	88·8	11·60	77·20
1953-54	.. 320	1,800	108·0	23·21	74·79
1954-55	.. 320	2,120	127·2	54·82	72·38
1955-56	.. 320	2,440	146·4	79·69	66·71
1956-57	.. 320	2,760	165·6	89·06	76·54
1957-58	.. 320	3,080	184·8	91·78	93·02
1958-59	.. 320	3,400	204·0	95·87	108·13

APPENDIX 10

Budgets

(Differences between Income and Expenditure.)

(In lacs of rupees).

		1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
Expenditure	.. ..	787.63	839.43	851.85	808.05	808.20	805.70	803.38	797.71	807.54	824.02	839.13
Income	.. ..	608.50	619.50	608.50	595.50	600.50	610.50	618.50	626.70	636.90	639.90	642.90
		179.13	219.93	243.35	212.55	207.70	195.20	184.88	171.01	170.64	184.12	196.23
Total deficit for the eleven years ... Rs. 2164.83 lacs.												

APPENDIX V.

**NOTE ON THE DEMAND OF THE BOMBAY MUNICIPAL CORPORATION FOR A SHARE IN THE
PROCEEDS FROM PROVINCIAL TAXES.**

PART I.—ANALYSIS OF THE CORPORATION'S FINANCES.

In its Note submitted to the Committee, the Bombay Municipal Corporation has made a demand which is not new. In 1934, for example, when the Corporation considered itself badly affected by the abolition of town duties on cotton it made a demand for financial assistance from Government. The condition of the Corporation's finances has greatly changed since then. This is true not only in comparison with 1934 but even in comparison with 1940-41 when the Corporation renewed its request for Government assistance. As a result of the discussion following the latter request Government took steps to reduce the contribution payable by the Corporation to the Improvement Trust from 3 per cent. (of what may be called the rateable value) to 2 per cent. This gave substantial relief to the Corporation. The basis for the present renewal of the request for assistance is two-fold, *viz.*, (A) normal requirements including urgent and inescapable demands and (B) long-term (or "Post-war Reconstruction") requirements.

A. Normal Requirements.

2. It may first be examined whether the state of the Corporation's finances is such that without Government assistance, the Corporation cannot meet even urgent and inescapable demands made on it.

The attached Table (No. 1) shows that while the Municipal accounts showed small deficits in 1939-40 and 1940-41, there has not been since then, right up to 1945-46, any deficit. On the other hand, there have been substantial surpluses. It may be noted here that the Corporation's budgets have very often been characterised by inaccurate estimation, though it may be conceded that much of this was perhaps unavoidable in the circumstances created by the war. Income has usually been under-estimated and expenditure over-estimated. For example, the Corporation's budget for 1941-42 anticipated a deficit of Rs. 8.08 lakhs, whereas there was eventually a surplus of Rs. 8.5 lakhs. Similarly the budget for 1942-43 anticipated a deficit of Rs. 4.29 lakhs and the final result was a surplus of Rs. 24.4 lakhs. Again in 1943-44 and 1944-45 deficits of Rs. 8.63 lakhs and Rs. 23.58 lakhs respectively were anticipated on the basis of the budget estimates, while actually the years ended with surpluses of Rs. 13.02 and Rs. 16.8 lakhs, respectively. For 1945-46 there has however been a deficit of Rs. 5.7 lakhs but actually when the budget for 1945-46 was framed, this deficit was estimated at Rs. 49.6 lakhs.

TABLE I.

	1939-40.	1940-41.	1941-42.	1942-43.	1943-44.	1944-45.	1945-46.	1946-47.	1947-48. Revised.	1948-49. Budget.
General Tax ..	134.5	138.5	139.2	147.9	153.5	159.4	183.6	214.1	227.3	278.1*
Town Duties ..	13.8	14.2	18.5	14.8	16.2	19.4	20.9	16.2	54.0	55.0
Water Tax ..	81.0	82.6	87.3	92.4	101.3	111.3	128.5	149.2	130.1	131.8
Halalkhore Tax ..	36.9	37.8	37.6	38.7	41.2	43.0	46.6	48.0	50.9	50.6
Wheel Tax ..	12.7	13.6	14.7	18.1	16.5	17.6	18.8	19.4	20.8	21.6
Fire Tax ..	6.1	6.5	6.3	6.7	7.0	7.2	7.7	7.7	10.1	12.3
Tax on Dogs ..	....	....	....	....	....	0.5	0.4	0.4	0.4	0.4
Markets and Slaughter Houses ..	13.2	13.6	13.8	15.2	17.8	20.1	20.6	22.7	29.4	27.9
Government Grants for Primary Education ..	9.0	9.5	9.5	9.5	9.4	9.7	9.7	9.8	9.8	9.8
Total Income ..	346.6	356.3	367.7	389.0	404.0	429.8	487.4	536.8	617.5	633.8
Total Expenditure ..	347.4	359.2	359.2	364.6	391.0	413.0	493.1	511.9	644.2	650.3
Surplus or Deficit ..	-0.8	-2.9	-8.5	+24.4	+13.0	+16.8	-5.7	+24.0	-26.7	-16.5

*Includes Rs. 48.8 on account of the proposed increase of General tax by 3 per cent.

3. *Latest Financial Position.*—An examination of the latest financial position of the Corporation may now be made with reference to the accounts of 1946-47, the revised estimates of 1947-48, and the budget estimates for 1948-49. The relevant figures are :—

1946-47 (Accounts)

(Lakhs of rupees).

				Budget.	Revised.	Accounts.
Revenue	..	..	..	5,07.38	5,37.40	5,36.81
Expenditure	..	..	..	5,08.57	5,81.58	5,11.92
Surplus or deficit	..	..	..	-1.18	-44.18	+24.89

The accounts figures show that, instead of a deficit of Rs. 44.18 lakhs anticipated on the basis of the revised estimates, there was actually a surplus of Rs. 24.89 lakhs. In the budget for 1947-48, the opening balance based on the revised estimates for 1946-47 was estimated at Rs. 8.34 lakhs. The eventual balance amounted to Rs. 50.19 lakhs showing an improvement of Rs. 41.85 lakhs.

1947-48 (Revised Estimates).

					Budget.	Revised.
Revenue	..	..	..	..	5,79.53	6,17.52
Expenditure	..	..	..	..	5,79.72	6,44.20
Surplus or deficit	..	..	..	..	-19	-26.68

The anticipated budget deficit of Rs. 0.19 lakhs is now placed at Rs. 26.68 lakhs in the revised estimates. The main increases over budget estimates of revenue are Rs. 35 lakhs under Town Duties, Rs. 8.5 lakhs under Stallage and Market charges, Rs. 5 lakhs under General Tax, Rs. 5 lakhs under Licences etc. Increases under expenditure are mainly on account of Rs. 31 lakhs additional grants sanctioned by the Corporation for restoration of cuts, Rs. 15 lakhs under Primary Education, Rs. 10 lakhs on revision of grades, and Rs. 4 lakhs on water works. If past accounts are any guide, there seems little doubt that when the accounts for 1947-48 are out, they will show a surplus instead of the anticipated deficit.

1948-49 (Budget).

Turning to the budget for 1948-49, the receipts are estimated at Rs. 5,85.02 lakhs, excluding Rs. 6 lakhs transferred from the P. W. R. Fund, against the revised estimate of Rs. 5,87.52 (excluding the Government grant of Rs. 30 lakhs) for 1947-48. The expenditure on the other hand is estimated at Rs. 6,44.2 lakhs. The estimate of expenditure for 1948-49, however includes an amount of Rs. 17.2 lakhs on account of increased contribution to the Improvement Trust Account at three times instead of twice the net realisations from the general tax. Government has separately agreed to continue the present rate of 2 per cent., and it will not be necessary to provide for this additional contribution. Further, the recent Amending Act has provided for a transfer of Rs. 5 lakhs from the B. E. S. T. Committee's Funds. There will accordingly be a benefit of Rs. 22 lakhs to the Corporation and the anticipated deficit of Rs. 59 lakhs will be reduced to Rs. 37 lakhs. This, however, does not take into account the opening balance for the year 1948-49 of Rs. 18.69 lakhs on the basis of the revised estimates. The net deficit accordingly comes to about Rs. 18.31 lakhs only on the basis of the estimates in the latest budget of the Corporation, without in any manner examining the details of.

4. Turning now to another point, an analysis of the Corporation's receipts shows that there are large variations between demand and realisation. The latest Administration Report of the Corporation reveals the following figures:—

Total Demand, Collections and Outstanding of all Taxes for the year 1945-46 as compared to two previous years.

TABLE 2.

Particulars.	Total Gross demand.	Total Net demand after allowing drawback and amending and cancelling certain bills.	Collections during 1945-46.	Per-centage.	Amount outstanding on 31st March 1946.	Per-centage.
(1) Property Taxes	4,08,33,042	4,03,81,881	3,61,99,343	89.64	41,82,538	10.36
(2) Wheel Tax ...	19,26,437	18,29,026	15,74,300	86.07	2,54,726	13.93
1945-46 ...	4,27,59,479	4,22,10,907	3,77,73,643	89.49	44,37,264	10.51
1944-45 ...	3,78,54,238	3,71,63,043	3,36,68,044	90.6	34,94,999	9.4
1943-44 ...	3,75,62,328	3,57,44,529	3,29,09,169	92.1	28,35,360	7.9

For the year 1945-46, the realisations of taxes fell short of the actual demand by as much as Rs. 44 lakhs thus indicating that there is considerable scope for improvement in revenue collection. Further the following accounts figures of receipts from general tax show—

	1943-44 11 per cent.	1944-45 11 per cent.	1945-46 12 per cent.	Increase over 1944-45.	1946-47 14 per cent.	Increase over 1945-46.
General tax from public ...	1,25,20	1,29,01	1,50,71	+21,70	1,75,82	+25,12

that while an increase of 1 per cent. during 1945-46 yielded about Rs. 21 lakhs, a further increase of 2 per cent. yielded only about Rs. 25 lakhs during 1946-47. The revised estimates of 1947-48 and the budget estimates for 1948-49 show an increase of about Rs. 38 lakhs. When it is realised that the receipts during 1945-46 themselves fell short of the actual yield by Rs. 44 lakhs the extent of this loss in revenue due to deliberate evasion or slack collections can well be appreciated.

5. *Avoidable increase in expenditure*—On the expenditure side, large amounts seem to have been provided without considering the feasibility of utilising them. It is proposed to increase the expenditure on Medical Relief from Rs. 31 lakhs in 1946-47 to Rs. 58 lakhs during 1948-49. Expenditure on street cleaning and conservancy is increased from Rs. 44 lakhs in 1946-47 to Rs. 64 lakhs in 1948-49. While it is not intended to question the utility or the necessity for increased expenditure on such essential services, it may be questioned whether such abnormally large increase in expenditure is likely to materialise except of course in so far as it is related to increased pays and allowances. Similarly the allotments made to the Schools Committee for primary education seem to be on an unduly large scale.

6. *Estimate of Normal Receipts*—In Appendix 6 to the Note submitted by the Corporation to the Committee, the basic figure of income has been estimated at Rs. 580 lakhs on the basis of the budget estimates for 1947-48. Now that we have the revised estimates for 1947-48 and budget estimates for 1948-49, this basic figure can be examined in the light of these latest estimates. The budget estimate of Rs. 541 lakhs (Rs. 571 lakhs—Rs. 30 lakhs Government grant) for 1947-48 has now been changed to Rs. 587 lakhs (Rs. 617 lakhs—30 lakhs Government grant), while the corresponding figure for the budget of 1948-49 is Rs. 585 lakhs. The figures for the latter two years include increased receipts from Town Duties, Fire Tax, Markets and Licence fees and from various property taxes due to increased rateable value. The figures also include the amounts transferred from Land Sales Reserve Fund. Excluding the latter

the estimates of receipts for 1947-48 (revised) and 1948-49 (budget) come to Rs. 580 lakhs and Rs. 582 lakhs respectively. Both these figures, however, take into account a loss of about Rs. 20 lakhs on account of reduction in water-rates charged to mills and the race-course as the result of a compromise. This loss in revenue is of a temporary nature and is likely to occur upto the end of 1949-50. For the purposes of future budgets, the basic figure of normal revenue on the existing basis can, therefore, be estimated at Rs. 600 lakhs.

7. *Estimate of Normal Expenditure.*—Turning to expenditure, the basic figure of Rs. 635 lakhs in the Corporation's Note represents the budget estimate for 1947-48 excluding Rs. 11 lakhs for election expenses but including additional grants for restoration of cuts in the grants to the Schools Committee; and for various other additional items. The latest budget provides for an expenditure of Rs. 644 lakhs which, however, includes an amount of Rs. 17 lakhs on account of increased contribution to the Improvement Schemes account. If this increase in the contribution is excluded, the estimated expenditure for the next year comes to Rs. 627 lakhs. This includes Rs. 82 lakhs on primary education, Rs. 58 lakhs on medical relief and education, and Rs. 83 lakhs on dearness allowance. The Schools Committee's demand for 1948-49, however, amounts to Rs. 93 lakhs which is equal to about 1/6th of the total income of the Corporation. For several years past, the Municipal Auditor, the Municipal Commissioner and the Standing Committee of the Corporation have all been stressing the need for economy in the School Committee's budget. Nevertheless the expenditure incurred by the Committee has been growing from year to year. The following extracts from (1) the Municipal Auditor's Report for 1945-46 and (2) the Municipal Commissioner's Budget Note for 1948-49 throw light on the manner in which the expenditure on primary education has been allowed to grow and how much of it can be curtailed :—

(1) Extract from Municipal Auditor's Report for 1945-46.—

“(3) *Cost of Primary Education* : The cost of Primary Education in the City which was Rs. 39.69 lakhs in 1939-40, increased to Rs. 63.10 in 1945-46 and budgeted expenditure for the year 1946-47 is Rs. 67.02. These figures are exclusive of expenditure for supply of milk to under-nourished children but include the expenditure on the Schools Clinics and the expenditure out of the receipts of the Schools Committee. The cost per pupil in 1939-40 was Rs. 35.69 which has reached a figure of Rs. 52.27 in 1945-46. This apparently extraordinary rise in expenditure during the last 6 years may be attributed to the following measures: (1) lowering down of the limit of pupils per teacher from 60 to 40; (2) opening of additional central schools; (3) abolition of percentage of trained teachers for the purpose of granting trained teachers' salaries and increasing the staff of trained teachers; (4) grant of trained teachers' grades retrospectively to the staff with adjustment of salaries from the beginning of their service without their having rendered effective service as trained teachers during the period; (5) bringing of the greater number of children to schools under the compulsory education drive; (6) payment of dearness allowances and (7) opening of Hindustani Training Classes.

This expenditure on the objects for improvement of education cannot be grudged, but the examination of accounts shows the following items of expenditure of an avoidable nature :—

(1) In the calculation of the ratio of one teacher to 40 pupils (a) the special teachers who engage the classes in their special subjects during the school hours and (b) part time of the teachers (attached to the infant and first standard classes for three and quarter hours daily, under the two sessions system) devoted to the other classes are not taken into account with the consequence that the teachers actually employed by the Schools Committee are in excess of the proportion approved by the Corporation.

(2) Special teachers who have to move about from school to school for teaching special subjects are not allotted schools in one zone only so as to save time and conveyance allowances payable to them. If a co-ordinated policy of allotting special teachers to particular schools in particular parts of Bombay with due regard to their location is adopted, it would save a good deal of time and number of such teachers and also the conveyance allowances.

(3) The policy of giving trained teachers' grades retrospectively with adjustment of salaries from the beginning of their service (from the day of their acquiring the necessary qualification) without their having rendered service as trained teachers during that period may be considered too liberal.

(4) Abolition of the system of applying cuts to grants-in aid to aided schools.

(5) Monthly contingent requirements of schools not made through the central agency.

These items involve extra cost on account of (a) teachers in excess of the fixed ratio (b) additional salaries on account of adjustment of salaries to trained teachers and consequent extra provident fund contributions thereon. Although the introduction of new measures for improvement may be desirable, their application should not be regard-less of reasonable economic principles.”

(2) Extract from Municipal Commissioner's Budget Note for 1948-49 :—

"There is also reason to believe that there are several ways in which the Schools Committee can curtail their expenditure. For example between 1st January 1946 and end of September 1947, they had over 125 net surplus teachers on a monthly average on their pay roll; a certain percentage of untrained teachers are recruited and then trained at the expense of the tax-payer, even though trained teachers to large extent are available; teachers are engaged on the average number of pupils on the roll, though the normal attendance never exceeds 85 per cent. of that number; employees have to put in only six months service (inclusive of vacation) to ensure that though temporary they are not discharged even if there is no work for them. The schools Committee, should therefore, see their way to economise in all respects by reducing unnecessary expenditure with a view to adjusting their Budget within the amount allotted to them for 1948-49."

It is time the Corporation stabilised its expenditure on primary education, possibly at the present level of Rs. 80 lakhs (inclusive of Rs. 15 lakhs on dearness allowance) if not at a lower level, since scales of pay have now been revised and the population of the City is at what may be assumed to be its peak level for some time to come.

The budget estimate of Rs. 58 lakhs for 1948-49 on medical relief and education includes an item of Rs. 2.3 lakhs for the R. P. T. Hospital and provides for an increased expenditure of Rs. 20 lakhs under this head as compared to the provision made during 1947-48. There is a *prima facie* no need for adding to this allotments under this head for estimating further expenditure.

The estimates of expenditure given in Appendix 7 to the Corporation's Note includes allotments for various items such as election expenses, Schools Committee, purchase of plant and machinery, improvement of roads, etc. Apart from Rs. 2.5 lakhs for election expenses, and Rs. 15 lakhs for the Schools Committee, the allotments are in the nature of Post War Reconstruction expenditure. Separating these and *not challenging the estimated increase under primary education*, the normal figure of expenditure can be estimated at Rs. 546.5 lakhs a year as follows :—

					Rs. lakhs.
Budget estimate for 1948-49	...	...	...	...	627.0
Deduct provision for dearness allowance	...	...	...	...	98.0
					<hr/> 529.0 <hr/>
Add anticipated increase in expenditure on Primary Education				...	15.0
Add contribution for election expenses	...	...	...	...	2.5
				Total	<hr/> 546.5 <hr/>

8. It has already been seen that the normal figure of receipts can be fixed at about Rs. 600 lakhs. It is clear therefore that, but for the expenditure on dearness allowances (which, on the assumptions on which the Central Pay Commission's recommendations are based, must be regarded as of Temporary duration), the finances of the Corporation not merely suffice for its normal expenditure but leave, besides, a surplus of about Rs. 50 lakhs a year. Even in respect of the temporary duration referred to the net deficit on the basis of normal receipts and expenditure will not be more than about Rs. 45 lakhs a year. This deficit can be readily covered by increasing the general tax from 14 per cent. to 17 per cent.

B—POST-WAR RECONSTRUCTION REQUIREMENTS.

9. Turning next to the expenditure proposed on schemes akin to Government's Post-War Reconstruction Schemes, the total estimated expenditure on these, on the basis of the figures in the Note, is as shown in the accompanying table (No. 3).

TABLE 3.

	1949-50.	1950-51.	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.	1956-57.	1957-58.	1958-59.
(1) Purchase of plant and Machinery.	25·0	30·0	30·0	12·0	.....	.....	.....	.....	.....	.....
(2) Revenue Works	30·0	30·0	20·0	.....	.....	.....	.....	.....	.....	.....
(3) Improvement of Roads	14·0	14·0	14·0	14·0	14·0	14·0	14·0	14·0	14·0	14·0
(4) Improvement of Lighting.	10·0	10·0	10·0	10·0	10·0	10·0	10·0	10·0	10·0	10·0
(5) Additional Staff	27·0	27·0	27·0	27·0	27·0	27·0	27·0	27·0	27·0	27·0
(6) Initial cost on Milk Scheme.	25·0	50·0	25·0	.....	.....	.....	.....	.....	.....	.....
(7) Loss on Milk Scheme	.....	.....	25·0	25·0	25·0	25·0	25·0	25·0	25·0	25·0

It will be seen that the expenditure on (1) purchase of plant and machinery, (2) revenue works and (3) initial cost on milk scheme is of a non-recurring nature, while the expenditure on the other items, viz., improvements of roads, improvement of lighting, additional staff and loss on subsidised milk scheme will be a recurring one for the next ten years. The total cost on all these items during the ten years comes to :—

Non-recurring	Rs. 277 lakhs.
Recurring	Rs. 710 lakhs.
	<u>Rs. 987 lakhs.</u>

In addition to these works, the Corporation Note provides for debt charges on loan works costing about Rs. 34 lakhs during ten years. In other words, the Corporation's P. W. R. programme is expected to cost Rs. 44 crores or nearly 7½ times its annual receipts. To say the least, the programme thus barely outlined is a very ambitious one. It takes no account of either the financial resources of the Corporation or the feasibility of spending the estimated amounts. The programme requires to be recast so as to accord with financial capacity and administrative practicability. Further, there is no reason why the development programme of the Corporation like Government's P. W. R. programme, should not be spread over three periods of five years each, the process of development being adjusted over the three periods. A detailed programme, confined to the most urgent schemes, should be drawn up for only the first of the three quinquennia. There will be two distinct advantages in such an adjusted and regulated expenditure on P. W. R. schemes. Firstly, a decline in the general level of prices may be expected to occur at the end of the first five year period and the bulk of the cost can be deferred till after such a decline takes place. Secondly should that decline amount to a depression in trade and industry, the P. W. R. works of the provincial Government and of the Local authorities will help to keep up the employment level and generally help the province in tiding over a critical period. It would be suitable therefore if the Corporation is asked to prepare, in the first instance, a five-year programme of urgent P. W. R. Works, and distribute the cost thereof in a well balanced manner over the whole period of five years.

10. *Analysis of P. W. R. Schemes—First Five-Year Period.*—On the figures given by the Corporation, the expenditure during the first five years will be as follows :—

	Total Cost Rs. L.khs.
<i>I. Non-recurring expenditure—</i>	
Capital cost on milk scheme	1-00
Purchase of plant and machinery	97
Revenue Works	80
	<u>2-77</u>
<i>II. Recurring Expenditure—</i>	
Improvement of roads (14 × 5)	70
Improvement of lighting (10 × 5)	50
Additional staff (27 × 5)	1-35
Loss on milk scheme (25 × 3)	75
	<u>3-30</u>
<i>III. Loan works</i>	14-80
Total	<u>20-87</u> or

Rs. 21 crores.

Of the above, the cost on purchase of plant and machinery and the cost on milk scheme are of a capital nature and can, along with other loan works, be met from loan funds. If this is done, the cost on P. W. R. works during the first five years could be distributed somewhat as follows :—

TABLE 4.

(Rs. in lakhs)

	1st year.	2nd year.	3rd year.	4th year.	5th year.
Revenue Works	16	16	16	16	16
Improvement of Roads	14	14	14	14	14
Improvement of lighting	10	10	10	10	10
Additional Staff	27	27	27	27	27
Loss on Milk Scheme .. .. .	.....	.....	25	25	25
Debt Charges	18	34	52	71	83
Total	85	101	144	163	175

A glance at these figures will suffice to show that the programme is framed on too liberal a scale. For instance, the total expenditure on lighting that the Corporation at present incurs is Rs. 10 lakhs a year, and in the P. W. R. programme it is proposed to spend an equivalent amount on improvements in lighting alone. Similarly, the total cost on improvement and maintenance of roads per year has been even in pre-war years, about Rs. 10 to Rs. 12 lakhs but it is now proposed to spend an additional amount of Rs. 14 lakhs a year. It seems extravagant to provide for renovating the entire road mileage at a cost of Rs. 14 lakhs a year, and for improving lighting at a cost of Rs. 10 lakhs a year, and then further to provide similar amounts annually in the normal budgets. If the roads are renovated as proposed, there should be substantial reduction in the cost of maintenance and repairs and a consequent saving in the normal budget. Thus, even a superficial examination of these figures indicates that the cost is likely to be much less than estimated in the Note prepared by the Corporation.

11. *Ways and Means of Financing P. W. R. Programmes.*—The ways and means open to the Corporation to finance its P. W. R. programme may now be considered. In paragraph 28 of the Corporation's Note, the possibilities of expanding current source of revenue have been explained in some detail. The additional sources of revenue mentioned in this paragraph which have not been utilised for the budget for 1948-49, are:—

	Rs. in lakhs.					
Increase in Wheel tax	4.0
Theatre tax	4.5
Profession tax	7.0
						15.5

Increase in Wheel tax—Rs. 7 lakhs.—In addition to these, Appendix 6 to the Note shows receipts from (1) water supply, (2) purification works and (3) hire of housing accommodation. But as these receipts are shown therein as likely to accrue in the second five-year period, they need not be taken account of in this analysis. Of the three sources of revenue mentioned above, the increase in wheel tax is expected to yield only about Rs. 4 lakhs. This is because an increase of 50 per cent. in rates is proposed for only motor vehicles and not for other vehicles. The total receipts from wheel tax is about Rs. 20 lakhs. If the increase is not restricted to motor vehicles but is extended to all vehicles the receipts will be appreciably larger. If, in the case of motor vehicles the increase is 50 per cent., for other vehicles it can be 25 per cent. This is likely to yield an additional amount of about Rs. 3 lakhs.

12. *Profession Tax—Rs. 10 lakhs.*—The profession tax has been under the consideration of the Corporation for a long time. The receipts from this tax are expected to be about Rs. 7 lakhs. This seems to be an under-estimate. Further, the Corporation seems to think that the tax should not be levied on those who do not pay income-tax. The Madras Municipal Corporation levies this tax on all persons whose half-yearly income exceeds Rs. 600. The rate for the lower groups is very low. The schedule below shows the rates of profession tax levied by the Madras Corporation:—

Class.	Half yearly income.				Half yearly tax.
					Rs.
I. More than Rs. 9,600	25
II. " Rs. 7,800, but not more than Rs. 9,600	18
III. " Rs. 6,000	"	"	Rs. 7,800	...	15
IV. " Rs. 4,200	"	"	Rs. 6,000	...	9
V. " Rs. 3,000	"	"	Rs. 4,200	...	6
VI. " Rs. 1,800	"	"	Rs. 3,000	...	3
VII. " Rs. 1,200	"	"	Rs. 1,800	...	2
VIII. " Rs. 600	"	"	Rs. 1,200	...	1

There seems no reason why the Bombay Corporation should not adopt a similar schedule of rates for its profession tax. If this source is adequately tapped, it should bring in revenue of not less than Rs. 10 lakhs.

13. *Increase in General Tax due to increase in rateable value—Rs. 5 lakhs.*—The rateable value of buildings in the Corporation's area is at present about Rs. 16 crores. During the war on account of high prices and scarcity of materials, building activity in the City was more or less at a standstill. In the years to come building activity should be much more in evidence and result in an increase in the assessable value of buildings. In a foot-note on page 28 of the Note, the Corporation itself estimates this value at Rs. 20 crores. The net advantage to the Corporation from this increase in rateable value, on the basis of its present rate of general tax, is likely to be about Rs. 5 to Rs. 5½ lakhs a year.

14. *Contribution from B. E. S. T. Committee—Rs. 10 lakhs.*—The Corporation has recently taken over the B. E. S. T. Company. When the Company was running these services it was paying a dividend of 12½ per cent. and its net profits amounted to Rs. 39 lakhs a year. This was after paying an amount of Rs. 75 to Rs. 80 lakhs as taxes to Government. Under the City of Bombay Municipal (Electric Supply and Transport) Act, 1947, the Corporation will get a contribution of Rs. 5 lakhs during 1948-49 for running these services and according to Corporations' Note, it is expected that a contribution of Rs. 10 lakhs a year up to 1958, as well as 10 per cent. of the net profits on these services, will be received by the Corporation. A doubt, however has been raised in the Note whether in view of the liability for a loan of Rs. 16 crores on this account the Corporation will be able to get any contribution at all from these services. These doubts seem unfounded. There has been a saving of about Rs. 75 lakhs in taxes by the mere fact of these services being taken over by the Corporation, and this saving by itself should be sufficient to cover the debt charges incurred by the Corporation for the purchase of the B. E. S. T. Company. There seems therefore no reason to fear that the Corporation will not be able to get at least the proposed contribution of Rs. 10 lakhs, if not the additional 10 per cent. of the profits accruing on these services.

15. *Education Tax—Rs. 16 lakhs.*—At present the public of the City do not make a specific contribution towards the Corporation's cost on primary education. The Madras Corporation levies an Education tax at 1/12th of its general property tax. The Bombay Corporation also seems to be in favour of such a tax. In its Note, it has asked that Government abolish its urban immovable property tax of 7 per cent. and has indicated that the Corporation would then impose an education tax at 5 per cent. which would give a relief of 2 per cent. to the landlords and yield the Corporation the full amount it now spends on primary education. This suggestion amounts to shifting the liability, for the relevant expenditure indirectly to Government. There seems no reason why an education tax should not be separately levied at, e.g., 1 per cent. of the rateable value of buildings. A tax of this low incidence, for purposes of meeting to some extent the Corporation's cost on primary education, is not likely to be resented by the public and the Corporation may be expected to get about Rs. 16 lakhs from this source.

16. *Additional Receipts—Rs. 52½ lakhs.*—The additional items here suggested are likely to yield about Rs. 52½ lakhs a year as shown below:—

	Rs. in lakhs.					
Increase in wheel tax	7.0
Theatre Tax	4.5
Profession tax	10.0
Increase in general tax on account of increase in rateable value	5.0
Contribution from B. E. S. T. Committee	10.0
Education Tax	16.0
						52.5

17. *Savings in expenditure—Rs. 5 lakhs.*—It has already been stated above that the Corporation's Note does not take into account any reduction in its normal expenditure which its proposed heavy expenditure on P. W. R. programme is likely to effect. The renovation of roads at a total cost of nearly Rs. 150 lakhs, the purchase of new plant and machinery at a cost of nearly Rs. 100 lakhs, and improvement of lighting at an additional annual cost of Rs. 10 lakhs are certain to yield some saving to the Corporation on repairs and maintenance under all these heads. Even on a conservative basis this saving may be to the extent of Rs. 5 lakhs a year.

18. *P. W. R. Fund Accumulations—Rs. 72 lakhs.*—The accumulations in the Corporation's P. W. R. Fund amount to Rs. 72 lakhs and will be available for meeting a part of its P. W. R. expenditure during the five-year period.

19. *Ways and Means Position.*—The ways and means of financing the Corporation's P. W. R. programme may now be briefly tabulated:—

TABLE 5.

	Rs. in lakhs).				
	1st year	2nd year	3rd year	4th year	5th year
Total cost on P. W. R.	85	101	144	163	175
Ways and Means Position:					
I. Receipts from additional sources	52.5	52.5	52.5	52.5	52.5
II. Savings in normal expenditure	5.0	5.0	5.0	5.0	5.0
III. Contributions from P. W. R. Fund	12.0	15.0	15.0	15.0	15.0
Total	69.5	72.5	72.5	72.5	72.5
Deficit	15.5	28.5	71.5	90.5	102.5

On the basis of its present P. W. R. programme (which however, as pointed out, requires drastic curtailment), it is clear that the Corporation will need assistance to the extent only of Rs. 308.5 lakhs in executing the first five-year plan.

20. *Conclusion.*—To sum up :—

(a) In regard to its normal budget, the Corporation needs provision for covering a deficit of about Rs. 45 lakhs a year. This will be necessary for as long as dearness allowance continues to be paid at the present level. The deficit can be readily covered by raising the general tax from 14 per cent. to 17 per cent.

(b) In regard to a 5-year P. W. R. programme of Rs. 21 crores, the assistance required is about Rs. 3 crores. But the programme itself can be drastically curtailed.

PART II.—ANALYSIS OF THE NORMAL FINANCES OF THE BOMBAY PROVINCE.

It is not necessary for the purposes of this analysis to examine the pre-autonomy budgets of the Province. The figures of provincial revenue and expenditure from 1936-37 to 1946-47 are given in the enclosed tables (Nos. 6 and 7).

The revenue position during 1936-37, which was the last year before Provincial Autonomy, was :—

		Rs. in lakhs.
Revenue	.. .. .	12.41
Expenditure	.. .. .	12.01
Surplus	.. .. .	40

The most important change under the Government of India Act of 1935, so far as provincial finances were concerned, was the allocation of a share of the income-tax receipts to the provinces. Another feature of the new constitution was that the provinces had to deal with several financial matters which had been dealt with by the Government of India prior to autonomy. For instance, the balances of the Provincial Governments were formerly banked with the Government of India and any temporary fall in the provincial balances was met by the Government of India. But now each Provincial Government is responsible for its own balances and has to arrange to meet the shortages of resources by taking ways and means advances by the issue of treasury bills or by loans of a more permanent nature.

The chief sources of revenue for the Provinces under the 1935 constitution, are :—

- (1) taxes on income,
- (2) land revenue,
- (3) provincial excise,
- (4) stamps,
- (5) forest,
- (6) receipts, from Motor Vehicles Act,
- (7) "other taxes and duties".

Income Tax.—Under the Government of India Act, taxes on income, other than agricultural income, are levied and collected by the Federation, but a prescribed share (one-half) of the net proceeds after deduction from it of a sum to be received by the Centre, is assigned to the provinces in certain ratios which are laid down. Bombay gets 20 per cent. of the distributable share. The amount received by Bombay was Rs. 25 lakhs in 1937-38 but this has since risen to about Rs. 8 crores on account of the expansion of money incomes in the conditions created by the war. Indications are however not wanting that the receipts from this source have reached their peak level and that in the years to come the amounts assignable to provinces will not be of the same magnitude as before. Moreover, the formula of distribution is itself now under discussion.

2. *Land Revenue.*—Land revenue is a relatively inelastic source of revenue, as is borne out by the figures of receipts for the last 10 years. There has no doubt been a slight improvement during the war years on account of higher prices obtainable for agricultural commodities and consequent reduction in arrears, but this improvement is not of any lasting nature. The various limitations imposed on the upgrading of assessment in revision renders the scope for expansion under this item very restricted.

3. *Provincial Excise.*—When the popular Ministry assumed office in 1937, it intended to have complete prohibition by stages, and for this purpose certain selected areas were declared "dry areas" and certain other areas were declared "prohibited areas". The loss in excise revenue due to these measures was about Rs. 150 lakhs while the preventive measures cost about Rs. 50 lakhs. The Ministry, at that time, introduced certain additional taxes including the Urban Immovable Property Tax to meet this loss. The total prohibition programme, however, did not materialise on account of the resignation of the Ministry, and it was "frozen" at the stage where it had been left by the Ministry. Later, on account of certain rulings of the High Court, various modifications had to be made in that programme. These modifications and the conditions created by the war have been responsible for a large increase in the receipts under this head. On the re-assumption of office by the popular Ministry, a programme of prohibition has again been launched and by 1950-51 when the stage of complete prohibition will have been reached, the receipts under "Excise" will disappear completely.

REVENUE.

TABLE 6.

(Rupees in thousands.)

Major Heads.	Accounts, 1936-37.	Accounts, 1937-38.	Accounts, 1938-39.	Accounts, 1939-40.	Accounts, 1940-41.	Accounts, 1941-42.	Accounts, 1942-43.	Accounts, 1943-44.	Accounts, 1944-45.	Accounts, 1945-46.	Accounts, 1946-47.	Revised, 1947-48.	
1	2	3	4	5	6	7	8	9	10	11	12	13	
IV—Taxes on Income other than Corporation Tax.	..	25,00	30,00	55,80	83,20	1,47,80	2,18,00	3,00,00	5,31,20	5,75,00	5,97,40	8,33,20	
V—Salt	..	2	2	1	..	..	..	..	..	..	..	..
VII—Land Revenue	..	3,44,22	3,19,65	3,54,62	3,43,20	3,45,54	3,04,01	4,05,82	3,20,86	4,04,89	3,82,03	3,65,01	3,73,60
VIII—Provincial Excise	..	3,25,29	3,21,73	2,89,77	2,02,13	2,21,12	2,70,95	3,75,25	5,35,73	7,55,91	8,90,90	9,74,25	8,85,30
IX—Stamps	..	1,46,99	1,54,92	1,44,36	1,38,03	1,46,49	1,02,14	1,70,20	2,44,79	2,72,54	2,66,85	3,30,87	3,08,38
X—Forest	..	47,72	43,15	40,60	38,61	44,54	69,76	1,12,86	2,10,24	3,13,46	2,44,83	2,69,34	2,33,81
XI—Registration	..	15,05	15,25	14,41	13,77	15,02	16,88	20,93	28,90	27,94	27,51	30,24	30,00
XII—Receipts under M. V. Acts.	..	41,07	43,69	45,39	41,78	49,72	45,24	43,40	48,38	55,07	62,27	78,02	89,40
XIII—Other Taxes and Duties.	..	48,65	53,24	63,96	1,04,03	2,35,17	2,16,36	2,28,59	3,30,97	4,90,55	4,29,17	5,34,69	8,34,81
XVII—Works for which Capital Accounts are kept.	..	13,45	16,17	15,34	19,38	26,55	41,16	36,95	30,47	37,31	34,23	37,74	33,57
XVIII—Irrigation, etc. works for which no capital accounts are kept.	..	6,61	6,17	6,59	7,05	7,63	7,97	7,59	8,22	8,13	8,17	8,05	8,37
XX—Interest	..	93,34	72,12	72,21	71,03	70,55	68,69	70,61	65,33	62,18	60,03	64,60	76,33
XXI—Administration of Justice.	..	15,01	14,05	15,27	16,83	18,44	19,05	21,40	29,51	32,41	36,77	38,79	44,16
XXII—Jails and Convict Settlements.	..	4,95	4,44	4,24	4,07	4,80	5,20	5,17	7,44	9,45	11,54	10,20	9,01
XXIII—Police	..	6,85	8,33	9,32	9,86	14,42	13,45	17,26	17,05	18,29	17,29	22,56	19,54
XXVI—Education	..	14,93	15,76	15,83	18,12	22,06	18,67	17,33	19,40	19,95	22,12	23,61	23,26
XXVII—Medical	..	14,14	14,71	14,64	15,15	15,75	16,61	19,46	27,50	29,40	40,05	36,16	39,96
XXVIII—Public Health...	..	19,08	20,98	19,85	22,20	26,27	29,20	31,63	30,72	35,60	40,26	44,34	38,59
XXIX—Agriculture	..	3,79	3,75	3,46	4,27	4,07	4,07	5,29	8,80	35,14	45,48	*1,24,35	*1,15,30

XXX—Veterinary ..	31	35	37	39	42	29	28	22	70	19	48	48
XXXI—Co-operation ..	2,16	1,85	1,95	3,26	6,01	3,60	7,47	3,60	2,54	2,39	2,35	2,93
XXXII—Industries ..	6,51	4,50	5,03	4,42	4,18	5,24	6,13	7,28	10,05	9,16	9,08	8,31
XXXVI—Miscellaneous Departments.	1,83	1,81	1,89	1,80	1,86	1,97	2,00	10,03	31,11	45,18	43,06	71,45
XXXI—Civil Works ..	31,03	51,00	40,08	37,02	31,77	49,02	63,15	39,45	33,88	38,72	39,24	23,52
KL—Bombay Development Scheme.	6,84	7,09	8,29	11,90	14,26	15,21	15,35	15,84	16,51	16,64	17,08	16,57
XLI—Receipts from Electricity Schemes.	..	..	..	..	2	3	4	1	2	11	68	48
XLIII—Transfers from Famine Relief Fund.	2,05	6,17	2,22	1,80	2,21	1,52	2,81	4,05	7,23	2,66	8,08	4,28
XLIV—Receipts in aid of Superannuation.	8,05	8,31	8,51	7,81	7,44	6,70	6,02	7,63	7,37	5,31	8,45	8,25
XLV—Stationery and Printing.	3,62	4,05	3,63	3,30	4,16	5,80	5,72	5,87	8,30	6,93	7,25	6,56
XLVI—Miscellaneous ..	3,15	4,38	5,63	7,20	5,32	8,03	16,80	10,94	12,27	12,59	15,45	11,93
L—Miscellaneous adjustments between Central and Provincial Governments.	..	..	28	25	20	2	15	10	10	7	1	10
LI—Extraordinary Receipts.	12,74	63	6,84	3,14	2,85	1,08	30	4,17	52	..	..	..
LII—Civil Defence ..	..	..	..	..	..	..	48	9,07	11,92	10,81	10,48	4,20
Grand Total ..	12,41,40	12,43,81	12,44,59	12,98,58	14,32,04	16,46,31	19,34,62	24,81,97	32,77,46	33,45,34	37,52,51	41,05,65

*These are inclusive of receipts (which are not easily separable) from schemes which are treated as P. W. R. Schemes.

Note.—Figures are exclusive of transfers from the Special Development Fund and subvention from the Government of India towards P. W. R. programme and national highways.

DISBURSEMENT.

TABLE 7.

(Rupees in thousands.)

Heads of Expenditure.	Accounts, 1936-37.	Accounts, 1937-38.	Accounts, 1938-39.	Accounts, 1939-40.	Accounts, 1940-41.	Accounts, 1941-42.	Accounts, 1942-43.	Accounts, 1943-44.	Accounts, 1944-45.	Accounts, 1945-46.	Accounts, 1946-47.	Revised, 1947-48.
	1	2	3	4	5	6	7	8	9	10	11	12
7, Land Revenue ...	46,93	46,82	66,76	66,66	65,18	66,48	66,88	68,56	72,53	81,21	80,03	93,12
8, Provincial Excise ...	41,49	39,14	40,65	36,69	38,31	41,12	41,76	48,91	53,14	89,03	78,76	96,42
9, Stamps ...	1,98	1,97	1,94	1,94	2,01	2,12	2,45	2,94	3,38	3,31	3,79	4,25
10, Forest ...	29,01	27,26	26,87	26,30	28,09	34,33	67,87	1,16,76	1,04,81	1,30,41	1,06,90	90,63
11, Registration ...	5,68	5,68	5,35	5,29	5,24	5,60	6,22	7,03	7,37	7,81	9,14	10,05
12, Charges on account of M. V. Aots.	17,88	18,30	21,24	17,74	27,21	23,34	22,22	26,57	32,80	41,29	50,00	61,37
13, Other Taxes and Duties.	17,22	18,05	13,73	13,19	10,00	15,36	9,37	4,85	4,70	4,90	10,22	14,18
17, Interest on works for which capital accounts are kept—Irrigation Works.	41,89	41,62	41,67	41,69	41,72	41,76	41,73	41,74	41,75	41,49	41,53	42,05
18, Other Revenue Expenditure, etc.	6,31	12,47	9,30	4,76	2,94	3,84	4,86	3,91	81	10,57	9,80	9,66
18, (1) Other Revenue Expenditure from F. R. Fund.	...	...	...	1,24	1,21	...	...	...	5,97	...	...	...
19, Construction of Irriga- tion etc.	...	...	...	...	...	...	...	...	...	...	...	...
22, Interest on Debt and other Obligations.	1,44,31	1,05,05	1,99,55	1,18,44	1,15,23	1,12,02	1,16,29	1,04,83	88,06	81,44	76,46	79,91
23, Appropriation for Reduction or Avoidance of Debt.	18,14	20,11	6,27	6,86	6,03	6,36	6,06	27,17	2,49,25	2,70,77	2,72,13	2,73,20
25, General Administra- tion.	1,04,97	1,02,88	80,91	78,77	75,20	86,02	86,78	98,43	1,16,67	1,57,81	1,97,54	2,11,48

27, Administration of Justice.	62,19	62,09	60,53	60,43	65,63	67,23	70,02	75,50	82,01	89,17	99,10	1,02,04
28, Jails and Convict Settlements.	18,04	17,32	16,33	16,82	18,62	21,18	34,58	55,62	41,61	41,37	48,46	50,36
29, Police ...	1,42,76	1,42,34	1,43,70	1,50,31	1,57,54	1,72,81	2,12,23	2,48,34	2,04,12	3,10,04	4,02,16	5,58,30
30, Ports and Pilotage ...	5	5	2	5	6	1	—1	—2	6	6	5	5
36, Scientific Departments	96	1,06	1,03	1,14	1,09	1,07	1,21	1,11	1,31	1,35	1,09	1,01
37, Education ...	1,59,98	1,68,05	1,90,64	1,95,32	1,89,76	2,04,38	2,07,33	2,19,07	2,35,26	2,74,21	4,38,52	4,39,35
38, Medical ...	41,79	43,54	45,33	41,30	54,37	52,17	56,20	73,53	85,93	98,13	1,15,27	1,34,19
39, Public Health ...	22,60	24,06	27,54	28,10	24,88	27,33	32,02	26,81	36,72	49,32	60,28	58,22
40, Agriculture ...	13,76	13,68	14,80	11,99	11,24	15,04	20,94	40,28	60,83	46,20	1,01,51	42,11
41, Veterinary ...	3,90	3,98	4,10	4,41	4,39	4,51	5,07	5,61	7,51	8,78	10,00	10,36
42, Co-operation ...	0,08	6,09	6,14	15,76	16,81	13,14	9,94	8,88	10,78	12,98	17,92	28,42
43, Industries ...	6,57	7,58	8,92	7,65	6,98	8,09	9,12	11,75	12,42	15,55	23,18	19,79
47, Miscellaneous Departments.	7,11	7,68	8,34	11,74	9,87	10,79	20,72	34,29	45,67	1,81,47	86,31	1,02,20
43-A, Capital Outlay on Industrial Development.	...	...	...	...	...	...	...	...	...	...	1,75	26,50
50, Civil Works ...	1,07,20	1,27,46	1,13,09	1,12,80	1,02,03	1,30,94	1,60,68	1,40,00	1,72,04	2,18,08	2,07,72	1,50,87
51, Bombay Development Scheme.	3,68	3,86	9,96	9,79	8,08	8,02	10,56	8,61	8,56	9,97	11,50	13,84
52-A, Other Revenue Expenditure.	...	...	...	...	...	...	...	...	98	...	...	...
53, Capital outlay on Electricity Schemes met out of Revenue.	...	...	...	3,72	13	6	1	...	1	...	1	...
54, Famine ...	2,05	13,63	4,76	66	1,00	3,94	12,72	81,13	1,25	6,06	1,83,07	35,65
55, Superannuation Allowances and Pensions.	1,07,52	1,10,87	1,15,15	1,20,37	1,24,87	1,28,84	1,30,57	1,34,79	1,42,16	1,51,97	1,58,65	1,63,44
55-A, Commutation of Pensions financed from Ordinary Revenues.	6	6	4	3	...	...	...	...	...	...	...	...
56, Stationery and Printing.	12,40	13,18	12,58	12,67	17,05	18,57	19,68	26,41	23,04	36,51	32,26	36,37
57, Miscellaneous ...	6,39	6,94	55,97	35,61	1,10,21	1,57,22	41,82	1,81,94	3,15,34	57,55	69,22	1,81,47
62, Miscellaneous Adjustments between the Central and Provincial Government.	...	...	...	...	...	...	...	...	10,93	94	...	...
63, Extraordinary Charges	17	34	36	1,38	2,84	1,21	4,53	...	17,30	...	...	...

TABLE 7—*contd*

(Rupees in thousands.)

Heads of Expenditure.	Accounts, 1936-37.	Accounts, 1937-38.	Accounts, 1938-39.	Accounts, 1939-40.	Accounts, 1940-41.	Accounts, 1941-42.	Accounts, 1942-43.	Accounts, 1943-44.	Accounts, 1944-45.	Accounts, 1945-46.	Accounts, 1946-47.	Revised, 1947-48.
1	2	3	4	5	6	7	8	9	10	11	12	13
64, Transfer to revenue reserve (Post-War Reconstruction Development Department Fund).	...	...	...	...	...	...	1,39,47	1,10,53	4,50,00	5,50,00	2,30,00	3,00,00
C4-B, Civil Defense	...	...	...	...	...	...	73,63	74,55	72,89	49,32	34,36	84
Total, Expenditure charged to Revenue.	12,01,07	12,14,31	12,79,58	12,67,62	13,44,61	14,85,30	17,43,03	21,11,42	29,71,92	31,37,56	33,68,07	34,42,69

Note.—Figures are exclusive of expenditure on schemes under the Special Development Programme; Post-War Reconstruction and Development Programme and on national high ways.

4. *Stamps*.—The revenue from Stamps continued to be steady for the first few years. The receipts began to improve gradually when war conditions began to manifest themselves. In 1943-44, when several taxation measures were undertaken with a view to counter inflation and to build up reserves for Post-war Reconstruction Schemes, Government increased the stamp duties by 50 per cent. and the court fees by 25 per cent. The receipts under this head fluctuate to some extent with fluctuations in to money-volume of various types of business. It is likely that they will not be at the same level in the near future as during the present inflationary period.

5. *Forest*.—The abnormal increase which has occurred under this head (forest) during the war years very largely due to large sales of timber for military purposes. The revenue is, therefore, bound to fall appreciably in future.

6. *Receipts from Motor Vehicles Act*.—The receipts from Motor Vehicles Acts have recorded some improvement during the war years. It would seem that the peak has been reached and that on account of restrictions on imports on motor vehicles, the receipts from this source will diminish in future.

7. The "other taxes and duties" are (i) entertainment duties, (ii) betting tax, (iii) electricity duties, (iv) tobacco duties, (v) U. I. P. tax, (vi) Prize competition tax and (vii) sales tax.

Entertainment Duties were substantially increased (on an average by about 50 per cent.) and Betting Taxes doubled in 1943-44. The Electricity Duty has however been kept at the same revised rate as was adopted in 1939-40. Since 1st April 1943, the Tobacco Duty is being levied by the Central Government and the Provincial Government is paid a compensation on the basis of its loss in revenue. The U. I. P. Tax was first levied in 1939-40, along with other taxes like Prize Competition Tax and the Sales Tax on motor spirits, with a view to make up the loss in revenue resulting from prohibition. Originally the U. I. P. Tax was levied at 10 per cent. but the rate was reduced from time to time and has been 7 per cent. (3½ per cent. in certain cases) since 1944-45. This tax was originally imposed in Bombay City and suburbs and in Ahmedabad City, but since 1946-47 it has been extended to Poona City and suburbs. The present Sales Tax has been in operation from October 1946 and is now expected to yield about Rs. 4 crores a year.

8. The revenues of the Province have risen from Rs. 12½ crores in 1936-37 to nearly Rs. 41* crores in 1947-48. Much of this improvement has been on account of war-time factors and the timely action taken by Government to raising taxation with a view to fighting inflation and building up funds for reconstruction. Expenditure also, of course, has considerably increased. Whereas in 1936-37, the expenditure was about Rs. 12 crores in 1947-48 it has risen to about Rs. 29 crores (excluding transfers to and from the different special funds).

9. *Analysis of Expenditure*.—The principal heads of expenditure are :—

- (i) Land revenue and general administration,
- (ii) Police,
- (iii) Education,
- (iv) Medical and Public Health,
- (v) Civil works,
- (vi) Pensions,
- (vii) Debt charges.

The enclosed statement (Table No. 8) shows the rise in expenditure under the above heads during this period under review.

10. *Expenditure on Administrative Charges*.—The expenditure under land revenue and general administration was Rs. 147 lakhs in 1936-37, but has now increased to Rs. 305 lakhs. Much of this increase is due to grant of dearness allowances on account of high cost of living. It is also due to the expansion of staff and creation of new departments to cope with increase in work.

The expenditure under "Police" was more or less stationary before the War, but since then has increased very rapidly. The strength of the police force had to be increased both on account of factors directly connected with the war and on account of riots and other civil disturbances. The grant of dearness allowance, which is responsible for increase under all expenditure heads, has also added to the expenditure under this head. The total cost on police, which was about Rs. 143 lakhs in 1936-37, has now increased to about Rs. 558 lakhs.

During the 11 years of Provincial Autonomy, the expenditure on administrative charges, which was about Rs. 500 lakhs, has increased to Rs. 1,202 lakhs. In other words administrative charges have increased to about 2½ times the pre-autonomy figure.

*Excluding the P. W. R. subsidy from the Government of India.

TABLE 8.

Statement showing the growth of Provincial Expenditure.

(In lakhs of rupees).

	1936-37.	1939-40.	1947-48. (Revised).
I. Administrative charges—			
(a) Fundamental charges :			
(1) Land Revenue and General Administration ...	152	146	305
(2) Police	143	150	558
(3) Jails	18	17	50
(4) Justice	62	67	102
(b) Ancillary charges—			
(1) Stationery and Printing	12	13	36
(2) Civil Works	107	113	151
Total—Administrative Charges ...	494	506	1,202
II. Unavoidable charges—			
(1) Debt charges	119	104	155
(2) Pensions	107	120	163
Total—Unavoidable charges ...	226	224	318
III. Beneficent activities of the State—			
(1) Education	{ Primary 102 } { Other 58 } 160	{ 126 } { 69 } 195	{ 39 } { 400 } 439
(2) Medical	42	41	134
(3) Public Health	23	23	58
(4) Agriculture	14	12	42
(5) Veterinary	4	4	10
(6) Co-operation	6	16	28
(7) Industries	7	8	20
(8) B. D. Scheme	4	10	14
(9) Electricity Scheme ... ..	.....	4	.....
(10) Famine	2	1	36
(11) Civil Supplies ... ..	.....	.....	52
Total—Beneficent activities ...	262	319	833
IV. Miscellaneous—			
(1) Scientific Departments	1	1	2
(2) Miscellaneous Departments	7	12	52
(3) Miscellaneous	6	36	181
(4) Civil Defence ... ..	.....	.....	1
Total—Miscellaneous ...	14	49	234

11. *Expenditure on Nation Building Services.*—There has been an even steeper increase in the expenditure on nation-building services. The total expenditure on Education, which was about Rs. 160 lakhs in 1936-37, is now Rs. 439. The cost of medical and public health activities has similarly increased from Rs. 65 lakhs to 192 lakhs. Under other heads like Agriculture, Co-operation, Industries, etc. there has been an all round increase in expenditure consequent partly on the expansion of activities. Immediately before autonomy, the Province spent about Rs. 262 lakhs on all its nation building services while it now spends about 833 lakhs. This expenditure does not, however, take into account the large amounts involved in the implementation of the post-war reconstruction plan.

12. *Debt and Pensions charges.*—The debt charges account for an expenditure of Rs. 318 lakhs at present. Under the Niemeyer Scheme, the repayment of the consolidated debt of Rs. 22½ crores was spread over 45 years the instalments being half-yearly. This total debt includes a liability of Rs. 4.12 crores pertaining to the Bombay Municipal Corporation. The instalments of repayments of this part of the loan are recovered from the Corporation and directly paid to the Government of India. The Niemeyer Award also provided an option to the Provincial Governments to repay half the amount of their consolidated debt in 1945 (and the balance in 1960). The option was exercised by this Government and an amount of Rs. 10½ crores was repaid to Government by raising public loans. The interest charges annually incurred by this Government accordingly include (i) the interest paid to the Government of India on the balance of the loan, (ii) the interest on the public loans, and (iii) the interest on unfunded debt. In addition, provision has to be made annually for depreciation and for sinking funds for the public loans. The total of such charges (exclusive of the interest charges recoverable from the Bombay Municipal Corporation) has increased from Rs. 119 lakhs to about Rs. 155 lakhs. The pensionary liabilities of Government have increased from Rs. 107 lakhs to Rs. 163 lakhs.

13. *Reserve Funds.*—It will thus be seen that along with a rise in receipts there has also been a rise under the expenditure heads. The inflationary conditions created by the war have, however, for the past several years, yielded surplus receipts to Government. As it was clear from the very nature of these receipts that they were of a temporary nature, and could not be relied upon for financing permanent commitments of Government, the surpluses during this period were utilized in creating or augmenting various reserve funds, such as (i) the Special Development Fund, (ii) the Post-war Reconstruction Fund, and (iii) the Debt Redemption and Avoidance Fund.

The Special Development Fund was created in 1938-39 with a sum of Rs. 50 lakhs. The object of the fund was to provide finance over a reasonable period for non-recurrent schemes of a beneficent nature. Various amounts were added to the fund from year to year, the total amount put in the Fund being Rs. 7.46 crores, and there have also been annual withdrawals. No transfers have been made to this fund since 1945-46, and it has now been decided to merge the expenditure incurred from this fund with the expenditure on post-war schemes, the Fund itself, at a reduced amount (Rs. 1 crore odd) being retained for financing schemes for the amelioration of Backward Classes. The Post-war Reconstruction Fund was started in 1942-43 with the intention for providing money for the various post-war reconstruction schemes. Considerable amounts from the revenue surpluses have been transferred to this fund from year to year and the accumulation in the Fund now stands at Rs. 18 crores. The Debt Redemption and Avoidance Fund is intended to safeguard the credit worthiness of the Province by facilitating an early redemption of its existing debt liabilities. The amount in the Fund is Rs. 8.3 crores. In addition to these Funds Government has a free balance of about Rs. 13 crores of which Rs. 10 crores have been utilized to finance the extensive food purchase schemes of Government.

14. *Conclusion.*—On the basis of the above analysis of the normal receipts and expenditure of the Provincial Government, and the actual accounts figures for the last 10 years, a tentative forecast of future receipts and expenditure has been prepared as in the attached Tables (9, 10 and 11). It is estimated that receipts will stabilise, after a period at somewhere near 28 crores, and expenditure at Rs. 27 crores. During the first five years commencing from 1947-48, there is expected to be an average annual revenue surplus of not less than Rs. 2 crores. At the end of this period it is estimated to be almost Rs. 1 crore. The estimates do not take into account the expenditure on Post-war Reconstruction or special measures intended to be taken, or sources expected to be available, for the financing of such expenditure. These matters are dealt with in the next section of this Note.

TABLE 9.
Abstract of Forecasts of Revenue and Expenditure.
 (Rupees in thousands.)

	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
Revenue ...	38,48,90	32,51,90	30,10,40	29,73,60	29,22,40	29,55,40	29,01,40	28,89,40	28,58,40	28,50,90
Expenditure ...	30,99,79	29,15,65	28,60,65	28,34,90	27,95,15	27,87,15	27,61,15	27,55,15	27,50,65	27,46,15
Surplus ...	7,49,11	3,36,25	1,49,75	1,38,70	1,27,25	1,68,25	1,40,25	1,34,25	1,07,75	1,04,75

REVENUE FORECAST.

TABLE 10.

(Rupees in thousands).

	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
IV—Taxes on Income other than Corporation Tax.	8,33,20	7,00,00	7,50,00	7,50,00	7,50,00	8,00,00	8,00,00	8,00,00	8,00,00	8,00,00
VI—Land Revenue ...	3,68,55	3,60,00	3,60,00	3,60,00	3,60,00	3,60,00	3,60,00	3,60,00	3,60,00	3,60,00
VIII—Provincial Excise ...	6,70,00	8,00,00	.....	.....	.....	.....	.....	.....	.....	.....
IX—Stamps ...	3,15,29	3,00,00	3,00,00	2,90,00	2,80,00	2,80,00	2,75,00	2,75,00	2,75,00	2,75,00
X—Forest ...	1,95,61	1,50,00	1,50,00	1,80,00	1,20,00	1,20,00	1,18,00	1,10,00	1,05,00	1,00,00
XI—Registration ...	28,18	28,00	28,00	28,00	28,00	28,00	28,00	28,00	28,00	28,00
XII—Receipts under M. V. Acts.	77,54	75,00	80,00	80,00	75,00	75,00	75,00	75,00	75,00	75,00
XIII—Other Taxes and Duties ...	8,61,38	8,50,00	8,50,00	8,50,00	8,25,00	8,00,00	7,50,00	7,50,00	7,20,00	7,20,00
XVII—Works for which capital accounts are kept.	44,69	50,00	60,00	60,00	62,00	65,00	68,00	70,00	72,00	75,00
XVIII—Irrigation etc., works for which no capital accounts are kept.	8,57	8,50	8,50	8,50	9,00	9,00	10,00	10,00	10,00	10,00
XX—Interest ...	76,20	75,00	75,00	75,00	75,00	75,00	75,00	75,00	75,00	75,00
XXI—Administration of Justice.	43,74	42,00	41,00	40,00	40,00	40,00	40,00	40,00	40,00	40,00
XXII—Jails and Convict Settlements.	8,33	8,00	7,00	7,00	7,00	7,00	7,00	6,50	6,50	6,00
XXIII—Police ...	20,87	19,00	18,00	17,00	17,00	17,00	17,00	16,00	15,00	15,00

TABLE 10—*Contd.*

	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
XXVI—Education ...	24,75	23,00	23,00	23,00	23,00	23,00	23,00	23,00	23,00	23,00
XXVII—Medical ...	41,10	40,00	40,00	39,00	39,00	39,00	39,00	38,00	38,00	38,00
XXVIII—Public Health ...	39,03	38,00	38,00	37,00	37,00	37,00	37,00	36,00	36,00	36,00
XXIX—Agriculture ...	59,55	60,00	60,00	65,00	65,00	70,00	72,00	75,00	80,00	80,00
XXX—Veterinary ...	51	40	40	40	40	40	40	40	40	40
XXXI—Co-operation ...	4,12	3,50	3,00	3,00	3,00	3,00	3,00	3,00	3,00	3,00
XXXII—Industries ...	15	8,00	8,00	8,00	7,50	7,50	7,50	7,00	7,00	7,00
XXXVI—Miscellaneous Departments.	54,37	50,00	50,00	45,00	42,00	42,00	40,00	40,00	38,00	35,00
XXXIX—Civil Works ...	19,89	22,00	21,00	20,00	20,00	20,00	20,00	20,00	20,00	20,00
XL—Bombay Development Scheme.	16,49	16,00	15,00	15,00	15,00	15,00	15,00	15,00	15,00	14,00
XLI—Receipts from Electricity Schemes.	84	40	40	40	40	40	40	40	40	40
XLIII—Transfers from Famine Relief Fund.	3,28	2,00	2,00	2,00	2,00	2,00	2,00	2,00	2,00	2,00
XLIV—Receipts in aid of Superannuation.	7,36	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,00
XLV—Stationery and Printing ...	4,93	5,00	4,50	4,20	4,00	4,00	4,00	4,00	4,00	4,00
XLVI—Miscellaneous ...	12,28	11,00	10,00	9,00	9,00	9,00	8,00	8,00	8,00	7,00
L—Miscellaneous Adjust between Central and Provincial Governments.	10	10	10	10	10	10	10	10	10	10
Total ...	38,40,90	32,51,90	30,10,40	29,73,80	29,22,40	29,55,40	29,01,40	28,89,40	28,58,40	28,30,90

EXPENDITURE FORECAST.

TABLE 11.

(Rupees in thousands).

	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
7, Land Revenue ...	91,54	94,00	94,00	93,50	93,00	91,00	91,00	91,00	91,00	91,00
8, Provincial Excise ...	93,88	96,00	96,00	95,50	95,00	95,00	91,00	90,00	90,00	90,00
9, Stamps ...	3,85	4,50	4,00	3,75	3,50	3,50	3,50	3,50	3,50	3,50
10, Forest ...	92,02	1,00,00	1,00,00	90,00	90,00	90,00	90,00	85,00	85,00	85,00
11, Registration ...	10,07	11,00	11,00	10,00	9,00	9,00	9,00	9,00	9,00	9,00
12, Charges on account of Motor Vehicles Acts.	51,04	62,00	62,00	60,00	55,00	55,00	50,00	50,00	50,00	50,00
13, Other Taxes and Duties ...	16,01	15,50	15,00	14,00	14,00	14,00	14,00	14,00	14,00	14,00
17, Interest on works for which Capital Account are kept— Irrigation Works.	44,07	42,00	42,00	42,00	42,00	42,00	42,00	42,00	42,00	42,00
18, Other Revenue Expenditure, etc.	8,97	8,00	8,00	8,00	8,00	6,00	6,00	6,00	6,00	6,00
18, (i) Other Revenue Expenditure from F. R. Fund.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
19, Construction of Irrigation, etc.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
22, Interest on Debt and other obligations.	73,03	1,50,00	1,50,00	1,50,00	1,50,00	1,50,00	1,50,00	1,50,00	1,14,50	79,00
23, Appropriation for Reduction or Avoidance of Debt.	2,73,66	.....	.....	.....	.....	.....	.....	.....	.....	.....
25, General Administration ...	1,92,43	2,20,00	2,00,00	2,00,00	2,00,00	2,00,00	2,00,00	2,00,00	2,00,00	2,00,00

TABLE 11—contd.

	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
27, Administration of Justice ...	98,32	1,03,00	1,00,00	98,00	98,00	97,00	97,00	96,00	96,00	96,00
28, Jails and Convict Settlement.	44,70	51,00	50,00	49,00	45,00	44,00	42,00	41,00	41,00	41,00
29, Police ...	5,53,28	5,64,00	5,60,00	5,55,00	5,50,00	5,50,00	5,50,00	5,50,00	5,50,00	5,50,00
30, Ports and Pilotage ...	5	5	5	5	5	5	5	5	5	5
36, Scientific Departments ...	1,73	1,60	1,60	1,60	1,60	1,60	1,60	1,60	1,60	1,60
37, Education ...	5,41,30	5,00,00	4,75,00	4,75,00	4,75,00	4,80,00	4,80,00	4,80,00	4,95,00	5,00,00
38, Medical ...	1,18,76	1,30,00	1,40,00	1,45,00	1,45,00	1,50,00	1,50,00	1,40,00	1,70,00	1,80,00
39, Public Health ...	40,17	60,00	65,00	65,00	65,00	65,00	65,00	65,00	70,00	72,00
40, Agriculture ...	67,94	60,00	55,00	55,00	55,00	55,00	55,00	55,00	60,00	70,00
41, Veterinary ...	9,89	12,00	15,00	15,00	15,00	15,00	15,00	15,00	15,00	15,00
42, Co-operation ...	27,34	30,00	30,00	30,00	30,00	30,00	32,00	32,00	34,00	36,00
43, Industries ...	29,20	20,00	20,00	20,00	20,00	20,00	22,00	22,00	24,00	26,00
47, Miscellaneous Departments ...	1,05,36	1,02,00	95,00	90,00	85,00	80,00	80,00	80,00	80,00	80,00
50, Civil Works ...	1,20,46	1,70,00	1,75,00	1,80,00	1,70,00	1,65,00	1,55,00	1,50,00	1,45,00	1,45,00
51, Bombay Development Scheme.	8,75	13,00	13,00	12,00	11,00	10,00	10,00	9,00	9,00	9,00
54-A, Famine Relief...	12,00	.....	.....	.....	.....	.....	.....	.....	.....	.....
55, Superannuation Allowances and Pensions.	1,64,56	1,75,00	1,75,00	1,75,00	1,75,00	1,80,00	1,80,00	1,80,00	1,85,00	1,85,00
56, Stationery and Printing ...	33,08	36,00	36,00	32,00	30,00	28,00	25,00	23,00	22,00	22,00
57, Miscellaneous ...	1,99,35	80,00	75,00	70,00	65,00	60,00	55,00	50,00	48,00	48,00
Total expenditure charged to Revenue.	30,99,79	29,10,65	28,66,65	28,34,90	27,95,15	27,87,15	27,61,15	27,55,15	27,50,65	27,46,15

PART II-B.—P. W. R. REQUIREMENTS.

15. *Distribution of P. W. R. plan.*—The published P. W. R. plan of the Government of Bombay is worked out in some detail for the first five years and, over this period, the total cost of the schemes included therein is estimated at about Rs. 91.5 crores. This is distributed as under :—

Irrigation	Rs. 13 crores.
Agriculture, forest, co-operation, cottage industries and milk scheme	Rs. 17 crores.
Nation-building, services (Education, Medicine and Public Health)	Rs. 28 crores.
Other schemes such as communications, electric grid, motor transport and housing	Rs. 33.5 crores.
Total	Rs. 91.5 crores.

It is not proposed to enter here into the details of the plan as these are available in the P. W. R. Blue Book issued by Government. Copies of the Blue Book are enclosed for the information of the Committee.

16. *Ways and Means of Financing P. W. R. plan.*—The expenditure on this plan is proposed to be met from following sources :—

- (i) subvention from Central Government,
- (ii) provincial Reconstruction Fund,
- (iii) provincial revenue surpluses during the five years,
- (iv) un-earmarked ("free") balance,
- (v) fresh provincial taxation, and
- (vi) provincial borrowing.

The subvention expected from the Government of India in pursuance of their declared intentions is about Rs. 17½ crores, this figure representing Bombay's share on a population basis, out of a total of Rs. 250 crores assumed to be available with the Government of India for distribution to the Provinces. The Government of India, when they declared these intentions, assumed for their part an annual surplus revenue of Rs. 100 crores over the period of five years, and it was further assumed that half of the total of Rs. 500 crores would be required for the schemes of the Central Government, the other half being available for Provinces for distribution on a population basis. The provincial Post-war Reconstruction Fund stood at the close of 1946-47, at Rs. 15 crores. During the first five-year period an average annual surplus of Rs. 2 crores is anticipated. In other words the total of the surpluses during the five-year is likely to be Rs. 10 crores. Of this, Rs. 3 crores have already been provided for transfer to the P. W. R. Fund during 1947-48—the first year of the Government's five-year plan. There is an un-earmarked balance of about Rs. 10 crores which is at present utilised by Government to finance its scheme of food purchase and distribution and this should in time be available for financing a part of the P. W. R. Plan. The total of these four items comes to Rs. 50 crores; the balance of Rs. 41.5 crores has to be made up by fresh taxation and by borrowing. Not more than Rs. 2 crores a year, on an average, can be anticipated during the first five years from fresh taxation. Excluding Rs. 10 crores that the measures of fresh taxation would yield, the net amount that the Provincial Government may have to borrow is estimated at Rs. 31.5 crores. To summarise, the cost of Rs. 91.5 crores on the P. W. R. schemes is proposed to be met as follows :

Subvention from Central Government	Rs. 17½ crores.
P. W. R. Fund	Rs. 15 crores.
Provincial Revenue surpluses during the five-year period	Rs. 10 crores.
Un-earmarked ("free") balance	Rs. 10 crores.
Fresh taxation during the five-year period	Rs. 10 crores.
Provincial borrowing	Rs. 29 crores.
Total	Rs. 91½ crores.

The net recurring commitment at the end of the five years as a result of the P. W. R. plan is expected to be Rs. 7 crores per annum made up of about Rs. 6 crores on the maintenance of P. W. R. schemes and about Rs. 1 crore on the repayment of loans. This additional recurring expenditure of Rs. 7 crores has to be financed largely by further taxation. It has already been mentioned that the annual revenue surplus at the end of the five years is not likely to be more than Rs. 1 crore. This implies, therefore, that during the five years covered by the plan, the Provincial Government will have to step up its taxation by about Rs. 6 crores in order to cover the gap between revenue and expenditure.

17. The P. W. R. Plan of Government is however being revised in view of recent intimation from the Government of India that, on account of changed financial conditions, it is by no means certain that Government will be in a position to grant subventions to Provinces on the scale previously indicated. It has been tentatively decided to curtail the cost to about Rs. 70 crores.

PART III.

Examination of the Corporation's claims.

Two conclusions may be drawn from this analysis of the finances and of the Provincial Government and of the Corporation. On the one hand Provincial revenues will themselves have to be greatly augmented in order to meet normal and P. W. R. expenditure and Government is therefore not in a position to share its resources with the Municipality. Nor, secondly, has the need been established for any permanent diversion of part of the provincial revenues to the Municipality.

2. The claims made by the Corporation would, if met, involve a loss of over Rs. 2 crores of provincial revenue as follows :—

	Rs. in lakhs.
(a) <i>Loss in revenue—</i>	
(i) Abolition of the U. I. P. tax	91
(ii) Entire proceeds of the entertainment tax in Bombay City ...	40
* (iii) Share in the betting tax (50 per cent.)	46
* (iv) Share in electricity duty (50 per cent.)	23
* (v) Share in transfer property tax (50 per cent.)	3
* (vi) Share in tobacco duties (50 per cent.)	12·5
	215·5
(b) Claim of compensation in lieu of tolls	2·5
Total	218·0

In addition to these claims, the Corporation has also demanded a non-recurrent grant of Rs. 100 lakhs for roads and wants permission to impose a levy of one anna per gallon on the sale of petrol. In the light of what has already been stated, it is out of the question for provincial revenues to bear a recurring annual loss of Rs. 218 lakhs. Further, it has to be remembered that the claim for a share in the revenues derived by the Provincial Government, if acceded to in the case of the Bombay Municipal Corporation, would lead to similar demands from other local authorities in the Province and it would be difficult in equity to refuse their claims, with the result that Government would be faced with the difficult problem of financing its own expenditure with greatly crippled revenues. The Bombay Municipal Corporation commands resources which are larger than those of some of the minor provinces in India, and it is therefore in a better position than most other local authorities to raise the money for its own requirements. It is clear that if revenues from rich areas are substantially earmarked for those areas, there would be serious curtailment of Government's ability to assist in the development of poorer tracts and backward areas. The Bombay Municipal Corporation is better able than these to maintain itself without help from Government.

3. Another point, which affects the consideration of the Corporation's demand, arises from the recent developments in the country. On account of conditions created by the partition, the Central Governments is no longer certain that it will be able to fulfil its promise to the Provinces in regard to the subventions for P. W. R. expenditure. Reference has already been made to recent communications from the Government of India which have led to the contemplated curtailment of the post-war reconstruction plan of this Government from Rs. 91·5 crores to Rs. 70 crores. Doubt has been cast by the Central Government on the continuance of the present level of provincial receipts from income tax and on the materialisation in the near future (i.e., within the next five years) of the estate duties which it had been proposed should be levied by the Centre for the benefit of the Provinces. Further, the gap that will soon be created by the loss of excise revenue will be difficult to fill, and most of the revenue receipts from fresh taxation will be required for this purpose, and for finding the money for payment of increased pays and allowances. For the financing of even its reduced P. W. R. programmes, therefore, the Provincial Government will now have to depend almost entirely on its own resources and borrowing capacity.

4. The circumstances which have affected the Provincial Government's P. W. R. plan inevitably also affect the Corporation's plans for reconstruction. In view of the necessity to explore all possible resources for meeting the expenditure on its own plans, it is not feasible for Government to agree to any permanent sharing of receipts or to any permanent recurring grants. The capacity of the Corporation to borrow in the open market for some of its P. W. R. schemes will also be affected by the demands of the Central and Provincial Governments and also of private industries and trade on the money market. Therefore unless the P. W. R. plan of the Corporation is either drastically curtailed or, in the alternative, is spread over a larger number of years, it will not be in a position to borrow at each appropriate stage all the capital needed at that stage for the execution of its P. W. R. plans.

*The exact share of these taxes claimed by the Corporation is not mentioned in the Corporation's Note. It has been assumed that this claim for share will not exceed 50 per cent.

5. The Corporation's ability to finance its normal (as distinguished from P. W. R.) requirements may be said to be beyond dispute, since the estimated annual deficit of Rs. 45 lakhs, during the period of payment of dearness allowance, can be covered by increasing the general tax from 14 per cent. to 17 per cent. If this is done, no assistance from Government is needed in respect of the normal budget.

As regards the P. W. R. requirements of the Corporation, it has been seen in Part I above that, even on the basis of its present plans, the Corporation is in need of a subvention to the extent of Rs. 3 crores only. The P. W. R. plans of the Corporation however require to be curtailed in the light of the criticisms made above and brought into line with changed financial conditions. Full details of the schemes to be included in the Corporation's five-year P. W. R. plan will have to be worked out and submitted to Government for examination before any claim for subsidy from Government can be considered. A procedure similar to that laid down by the Government of India in regard to Provincial P. W. R. plans can be adopted with advantage in regard to the P. W. R. plans of the Bombay Municipal Corporation. The limit of the subsidy can be decided after a detailed revised plan has been submitted to Government and approved by it, and payments can thereafter be made in accordance with the progress of actual expenditure on the P. W. R. schemes.

APPENDIX VI.

MEMORANDA SUBMITTED BY MR. M. D. BHAT, I.C.S., SIR ARDESHIR DALAL, MR. JANKADAS
 IERTA AND THE BOMBAY TENANTS' ASSOCIATION.

32, Little Gibbs Road,
 Malabar Hill, Bombay 6.

Bombay, 5th September 1947.

To

V. M. JOSHI, Esq., I.C.S.,
 Secretary to the Bombay Municipal Finances Committee,
 Finance Department, Secretariat,
 Bombay.

Sir,

Subject.—Bombay Municipal Corporation:
 Financial Assistance to —

I acknowledge receipt of your letter No. 6797/33, dated the 12th August 1947, for which I thank you and the members of the Bombay Municipal Finances Committee.

2. It is now nearly three years since my contact with the Bombay Municipality has ceased and as I am not aware of things that have happened during this interval except what I have read in the newspapers, I feel that I cannot make any useful contribution to the proceedings of the Committee. However since the Committee have asked for my views, I submit them below for what they are worth. They are based on past knowledge of Municipal administration and are therefore necessarily of a general nature.

3. I think, there can be no two opinions on the point that the revenues of the Bombay Municipality are inadequate to meet the growing expenditure. It is probably true that more services are rendered by the Bombay Municipality than by any other Municipality in India and that the standard of services in Bombay City is higher than in any other city in India, but I do not think they compare favourably with the services rendered by the Municipalities in some of the large and important cities in Europe, America and Australia either in their variety or in their standard of efficiency. During the last ten years the Corporation have found it difficult to maintain even the existing services at a tolerable level of efficiency and very little has been done in the direction of improving or expanding these services. The people have been demanding more amenities but lack of funds has prevented the Corporation from providing more amenities as well as from undertaking any new activities. During war time some of the normal activities had to be suspended by the Corporation as the materials required were not available and the expenditure on certain services was therefore restricted with the result that savings accrued and it became possible to build up a Post War Reconstruction Fund. The truth of these observations will be evident if the Administration Report and Budget Estimates of the Municipality for the last ten years are studied. It will also be borne out if the Committee were to take a round in the City and observe the essential services rendered by the different Departments of the Municipality. The position has been further aggravated by the enormous increase in the population of the City (there has been an increase of nearly 80 per cent. since September 1942) and the phenomenal rise in the prices of commodities including necessities of life. The high cost of living has forced the Municipality to revise the scales of pay of the lower paid staff and to increase the rates of Dearness Allowance. This additional expenditure has imposed a very heavy burden on the Municipal finances. It is said that the financial position today is such that the Municipality cannot bear the additional expenditure unless more assistance is given by Government in addition to the non-recurring grant of Rs. 30 lakhs sanctioned by them for the current year.

4. The main sources of revenue of the Bombay Municipality are Property Taxes. The General Tax is now levied at 14 per cent. of the rateable value and a margin of only 3 per cent. is available for further taxation. The other Property Taxes are levied at the maximum percentage laid down in the Municipal Act or at a percentage beyond which it does not seem possible to go, especially having regard to the actual cost of rendering the particular service for which it is levied. Besides the Urban Immoveable Property Tax is levied by Government at 7 per cent. and it is therefore doubtful if the Corporation would be willing to utilise the margin of 3 per cent. in the General Tax for raising additional revenue. The revenues from the Property Taxes are moreover inelastic at present as rents have been restricted by Government and the building activity is still very slow owing to the difficulties of getting certain building materials.

5. The Town Duty Schedule has recently been amended and the rates of duty have also been increased.

6. It is understood that two new Taxes, one on Professions, Trades and Callings and the other on Theatres have been proposed by the Corporation within the last few months.

7. The revenues from all these sources will however still be insufficient to meet the expenditure which has increased tremendously during the last five years. There is now little scope for raising additional revenues from the existing sources and new sources of revenues are therefore urgently needed especially as debt charges will go on mounting up as large loans will have to be raised for water supply and drainage schemes, for construction of roads, for extension of old hospitals and construction of new ones, for construction of school buildings etc., during the next ten years. Bombay as the gateway of India and as the Capital of the Province has special responsibilities and is expected to maintain a high standard of services and amenities. I believe the Corporation would like to see that the present standard is not only maintained but is raised to the level attained in large and important cities in Europe, America and Australia. This would however be possible only if additional revenues are found to meet the increasing expenditure.

8. As Municipal Commissioner, a Note was submitted by me to Government on this subject as an accompaniment to a demi official letter to Mr. G. W. McElhinny, Secretary, General Department, in September 1944. I attach a copy of this note. To the Taxes mentioned in that Note I would add Sales Tax on articles purchased for use locally. All these Taxes are purely of a local nature and as the revenues from these Taxes are dependent on the property of the City which in turn depends in a large measure upon the efficiency of municipal services, it seems fair that the revenues from these Taxes should not be wholly appropriated by Government, but should be shared by them with the Municipality.

9. I would suggest that in the first instance the entire proceeds from the Urban Immoveable Property Tax which is legitimately a Municipal tax should be handed over to the Municipality. The revenue from this source should however be earmarked for education. A condition may be attached to the grant of this revenue that education will be treated like any other essential service and that the responsibility for carrying out this service will rest on the Commissioner and not on the Schools Committee as at present. I am suggesting this reform as I feel confident that if it is undertaken, the quality of education will improve and the monies will be spent more beneficially than under the present system. This will require an amendment of the Municipal Act but the legislation will not be difficult.

10. I would further suggest that an estimate should be made of the purely local portion of the revenues realised from (1) Sales Tax, (2) Betting Tax, (3) Entertainment Tax, (4) Tax on transfer of Property, (5) Duty on Petrol and (6) Electricity Duty and a formula arrived at for ceding a certain share of the total amount to the Municipality annually. This can be done either by fixing a percentage of the existing tax or by levying a sur-tax and handing over the proceeds of the sur-tax to the Municipality. A stipulation might be made that out of this grant at least Rs. 25 lacs should be spent annually for slum clearance and housing for the lower middle and poor classes. It might also be provided that this arrangement should be reviewed every five years so that the grant could be increased or decreased according to the conditions prevailing at that time.

11. As regards curtailment of expenditure, I do not think there is any scope for it at present. With the changed outlook towards labour, the realisation of their own strength by the workers and the growing trade unionism among them and other classes of Municipal servants, it does not seem possible to cut down the strength of the various establishments. With the improvement and expansion of the existing services and the provision of new amenities, more staff will be required and it would then be possible to exercise economy in entertaining the additional staff. My own view is that if adequate wages are paid and special care is taken in recruiting candidates, for all the services and in giving promotions to them mainly on merit and not on other considerations, the services could be carried out by a smaller number of persons than those required under the present system. Mechanisation of work in some of the services might also help to reduce the expenditure on personnel. There is perhaps duplication of work in some of the Branches and a reorganisation of the various departments is necessary to avoid overlapping and to ensure maximum co-ordination between the different Departments and their Branches. Finally I would suggest that in order to help the Municipality in recruiting better type of men, the Municipal Act should be amended so as to make it obligatory for the Municipality to make all appointments to posts which carry a starting salary of Rs. 250 and above per month in consultation with the Public Service Commission. It would however be necessary for the Municipality to set up a convention that the order of preference laid down by the Public Service Commission should invariably be followed while making such appointments. It is needless to emphasize that better recruitment in all ranks means greater efficiency and less expenditure all round.

Yours faithfully,
(M. D. BHAT.)

Note on the Bombay Municipal Corporation's representation for additional sources of revenue.

The present sources of income of the Bombay Municipal Corporation are :—

- (1) Property taxes (general tax 11 per cent. of rateable value, fire tax $\frac{1}{4}$ per cent., water tax $3\frac{1}{2}$ per cent. and halalkhor tax 3 per cent.).
- (2) Revenue from water supplied by meter measurement.
- (3) Tax on vehicles and animals including dogs.
- (4) Town duties.
- (5) Licence and Market and miscellaneous fees and rents and other receipts.
- (6) Government grants in respect of tolls, primary education, licences for land conveyances and music, and from fines in respect of offences against the City of Bombay Municipal Act and the Bombay Shops and Establishments Act.

The taxes and fees levied by the Municipal Corporation of Madras are :—

- (1) Property taxes, (2) *tax on companies*, (3) *profession tax*, (4) tax on carriages and animals, (5) tax on carts, (6) tax on timber brought into the City, (7) tolls on vehicles and animals entering into the City, (8) *duty on transfers of property* in the shape of additional stamp duty, and (9) licence fees, market fees, registration fees etc.

In Calcutta, the following taxes and fees are levied by the Municipal Corporation :—

- (1) Consolidated rate corresponding to general tax and fire tax in Bombay, (2) tax on carriages and animals, (3) *tax on professions, trades and callings*, (4) scavenging tax, (5) *tax on petroleum*, (6) tax on carts, (7) tax on dogs, (8) water rate; (9) licence, market etc. fees.

It is not known whether any grants are made by the Provincial Governments to the Madras and, Calcutta Municipal Corporations for primary education, tolls etc.

The Madras and Calcutta Municipal Corporations are thus empowered to levy the following taxes viz. a tax on companies, a tax on professions, trades or callings, a duty on transfer of property, and a tax on petroleum which are not leviable by the Municipal Corporation of Bombay. The imposition of a tax on trades, professions and callings in Bombay is already approved by the Corporation and a draft Bill in this connection will be submitted to Government shortly. Proposals for adding new items to the Town Duty Schedule on which town duty should be levied have been submitted to Government over five years ago, but so far no legislation has been undertaken.

Local finance in England comprises: (1) income from local rates, (2) Government grants, and (3) income from fees, tolls, dues, rents or other receipts for services rendered like water rate or drainage rate; or commodities sold, which are not essentially of the nature of taxation.

Local rates are levied on lands and buildings at so much per pound of the rateable value of the hereditament and are analogous to general tax in Bombay.

Government grants play an important part in local finance. Prior to 1888, they were attached to specified items of expenditure and involved Government supervision of the activities to which the grants were applied. The Local Government Act of 1888 did away with this system and set up instead a system whereby Parliament assigned to the County and County Borough Councils revenues arising from certain "national taxes". The assigned revenues were made distributable to Councils through a special account called "the local taxation account". The Local Government Act, 1929, did away with the assigned revenue system. Percentage grants thereupon came to be limited to (1) Police, (2) Education, (3) Roads (classified roads), and (4) certain specific public health services such as training of midwives and health visitors: All other important percentage grants were abolished and replaced by what is popularly called the "Block grant". The importance of Government grants to local finance can be gauged from the fact that in 1925-26 they approximated to more than 50 per cent. of the income derived by local bodies from rates. This was in 1927. In 1935-36, the total annual expenditure of local authorities in England and Wales was about £550,000,000. Out of this about £135,000,000 came from Government grants, £100,000,000 from loans, £120,000,000 from Municipal trading enterprise and £50,000,000 from rents from civic properties, leaving approximately £145,000,000 to be borne by rates.

British Dominions.—(1) In Australia the main sources of Municipal revenue consist of rates levied on the capital value of unimproved land, in New South Wales and Queensland, on the annual value of land (4 per cent. on improved and 5 per cent. on unimproved land) in Southern and Western Australia and in Victoria on either the one or the other at the option of the local authority.

(2) *Canada.*—Buildings and lands are taxed as also personal property and business. A local income-tax obtains in Nova-scotia, Ontario and Saskatchewan.

General speaking market dues, dog taxes, liquor trade and vehicle licences are available to Municipal authorities. Grants from Central Government do not play so large a part as in Great Britain. These conditions are analogous to those obtaining in India.

The pattern of local taxation on the Continent of Europe is somewhat different. There is not the same hard and fast line between the purposes and objects of national and local taxation. The principal basis of local taxation is a percentage addition to certain of the national taxes for local purposes, the whole of the tax being collected by the national authority, the produce of the "additional centimes" being paid over to the respective local authorities. The number of centimes which may be added to any specific national tax by each type of local authority is regulated by law—sometimes by the annual Finance Act or sometimes for a period of years or until fresh regulations are laid down. In France "centimes" for Municipal purposes may be added to the following national taxes: (1) land tax, (2) land and buildings tax, (3) tax on rentals of houses and apartments, and (4) licence tax on trades and professions. In Germany, communes are allowed to add percentages to the State taxes on lands and buildings and on professions.

In European countries, communes, whether or not they add centimes to national taxes, are generally allowed to levy certain taxes on their own account. Local taxes on land and buildings are very common. So too a dog tax and an *entertainment tax*. Other instances of local taxes are:—

- | | | | |
|--------------------|-----|-----|--|
| (1) Belgium | ... | ... | On visitors, street facades, construction or reconstruction of buildings, <i>sale of liquor and tobacco</i> . |
| (2) France | ... | ... | On dwellings, offices, horses, carriages and motor cars, sports grounds, domestic servants, pianos and organs, billiard tables, clubs. |
| (3) Germany | ... | ... | On earned increment, acquisition of land, musical instrument, <i>sale of beer</i> . |
| (4) Switzerland | ... | ... | On bicycles, motors, hunting and fishing licences. |
| (5) Czechoslovakia | ... | ... | On house rents, lodgers, vacant land, advertisements. |
| (6) Hungary | ... | ... | On any object not taxed by the State. |
| (7) Spain | ... | ... | In addition to a number of local taxes a general tax is levied on every resident based on financial condition. |

"Local income tax" (independent of any national tax) forms one of the chief sources of revenue of local authorities in Denmark, Finland, Holland, Norway, Sweden and some of the cantons of Switzerland.

In many countries the system of assigned revenues is in force alongside that of local taxation and Government grants are also frequently given for specific purposes. The larger Municipalities obtain their funds by percentage additions to certain specified national taxes.

United States.—The *property tax* is the chief source of State and local revenue and constitutes about 85 per cent. of the revenue.

Poll taxes come next but they are slowly passing into disuse.

Licence taxes on selected businesses and occupations are extensively used.

Local income taxes.—These have come into use in about 11 States since 1911.

Corporation and franchise taxes.—These cover a variety of taxes designed to reach more effectively the tax paying ability of various classes of Corporations.

State subsidies.—State finances and local finances are closely related. The State subsidises and supervises local expenditure.

In Japan local authorities are permitted to levy special taxes suited to the actual conditions of the locality concerned, as surtaxes on national taxes or on the local taxes imposed by higher authorities, the surtaxes on national taxes in each case being limited by law to a fixed amount. City, town and village taxes are imposed only when receipts from sources other than taxes are insufficient to meet expenditure.

Grants are made of fixed amounts from the National Exchequer towards expenditure on police and compulsory education, and subsidies are given towards the cost of prevention of infectious diseases, national and prefectural highways, aqueducts, land reclamation and the improvement of arable land.

The State thus helps local authorities in other countries by grants for specific purposes like education, medical relief, public health and housing or by assignment of certain taxes to them, or by adding a certain "centime" to the national taxes and handing over the centime to local authorities.

on by allowing them to levy a local income tax. Besides this, the local authorities are allowed to raise monies on their own account by taxing real property, dogs, vehicles and animals, entertainments, liquor, etc.

In the City of Bombay, Government give a grant of about Rs. 9½ lakhs towards primary education in the City. They further pay Rs. 25,000 in respect of tolls, and Rs. 4,000 in respect of excise duty on spicuous articles. The grant-in-aid paid out of fines inflicted by Magistrates for offences under the Municipal Act and the Bombay Shops and Establishments Act depends upon the total amount of fines collected during the year. Since 1939-40 Government have discontinued grants in respect of liquor licences and tobacco duty.

The claim made by the Bombay Municipality for additional sources of revenue is based partly on its budgetary position, which is showing deficits repeatedly for the last few years, partly on the ground that the sources asked for are placed at the disposal of local bodies elsewhere, and partly on the ground that for a large Municipality like Bombay which as the gateway of India and as the capital of the Province has special responsibilities and is expected to maintain a high standard of services and amenities, additional revenue is necessary to meet the growing expenditure. The actual surpluses during the war period used not mislead us in supposing that the financial position of the Corporation is satisfactory. There is no doubt that in the post-war period the stable revenue of the Corporation will not be sufficient to meet even the essential expenditure.

It is therefore urged that a reasonable share in the following taxes which are at present levied by the Provincial Government should be allowed to the Municipal Corporation to improve their financial position.

(1) *Betting tax*.—Most of the yield from this source comes from Bombay City. The Provincial Budget for 1944-45 estimates a total yield of Rs. 68 lakhs from the whole Province, out of which a very large portion comes from Bombay City alone. This tax is essentially of local incidence and it seems fair that the Municipality should have a reasonable share of it.

(2) *Entertainment tax*.—This tax was assigned to local bodies under the Scheduled Taxes Rules. It is observed by the Taxation Enquiry Committee that the tax only affects those living in large centres and for this reason a share of the proceeds to be determined by the Local Government should be made over to the local bodies concerned. In European countries the tax is levied by many local authorities.

(3) *Tax on transfer of property*.—The whole proceeds of the tax were once offered to the Municipality in lieu of Government contribution towards Primary Education. But the offer was rejected. Government have since levied the tax for their own purposes. In the City of Madras, this tax is levied by the Municipality. The Kale Committee observe: "one of the sources of additional revenue suggested for local bodies is a tax on the transfer of immovable properties. These transfers are at present subject to taxation in the shape of stamp duties and also registration fees. These imports however do not benefit the local bodies to whom the improvements in the values of properties transferred are in a great measure due. It is therefore proper that a share of these duties should go to local bodies". It is suggested by the Committee that a certain percentage should be added to the stamp duty for the benefit of local bodies, say 25 per cent.

(4) *Duty on Petrol*.—Petrol is subjected to a Central Government's duty of annas 2½ per gallon for Road Development purposes. The Central Government in turn make a grant to the Provincial Government. In the latest Provincial Budget the grant expected is shown at about Rs. 25 lakhs. A substantial portion of this revenue probably comes from the City as the consumption of petrol in the City must be high compared to the consumption in the rest of the Province. Besides the Government of Bombay are levying a "Sales Tax" of anna one per gallon on motor spirit. The total estimated receipts for the Province of Bombay are Rs. 43 lakhs out of which a substantial portion is derived from the City. There is hardly any doubt that this tax is essentially of a local nature.

The Calcutta Municipal Act provides that the Municipality may levy a tax of annas 4 per 10 gallons of petroleum with the sanction of Local Government.

(5) *Electricity Duty*.—At present a duty of 1 anna per unit up to 12 units and 1½ anna per unit after 12 units is levied by the Provincial Government for its own purposes. The Kale Committee recommends that each local body should obtain 50 per cent. of the revenue derived by the Provincial Government from the net proceeds of the duty on the consumption of electricity collected within its area. This duty is highly localised. The Provincial Budget for 1944-45 estimates the revenue from this source at Rs. 35-95 lakhs out of which it is understood that more than two-thirds is realised from the City.

(6) *Registration and licence fees on motor vehicles*.—According to the Taxation Enquiry Committee's Report these fees "are imposed chiefly for the purpose of regulating the use of vehicles and to ensure that the public safety is not jeopardised by the use of unsafe vehicles or by unskilled drivers. Such charges should be kept distinct from the taxes on vehicles which are dealt within the Chapter on Local Taxation and should not be more than sufficient to cover the expenses of examining and registering the vehicles and testing the drivers". If the fees actually levied exceed the actual expenditure, it would seem that there is an element of tax in the fees and a such they would impinge on the Municipal source of revenue from vehicle tax.

BOMBAY HOUSE,
24, Bruce Street,
Fort, Bombay,

26th August 1947.

From

Sir ARDESHIR DALAL

To

THE SECRETARY to the Bombay Municipal Finances Committee, Bombay.

Subject.—Bombay Municipal Corporation :

Financial Assistance to space—

Sir,

I beg to acknowledge receipt of your letter No. 6797/33 of the 12th August, on the above subject. I regret that owing to heavy pressure of work and the fact that I am leaving India within a few days, it is not possible for me to examine the question in detail.

It is not yet known what new sources of revenue, if any, will be made available to the Bombay Municipal Corporation under the new Constitution.

In reply to your two specific questions, I should say, generally speaking, (i) that the Municipality should be given further assistance from Provincial revenues and (ii) pending allocation of new sources of revenue, a grant or grants may be made by Government for specific purposes, such as Development. But I am against the system of grants or doles as a long-term or permanent measure to bodies such as the Bombay Municipality. They should be encouraged to stand on their own legs and for that purpose they should be provided with adequate expanding sources of revenue. One of the conditions of any assistance which Government may give to the Municipality should be that it displays a greater willingness than it has hitherto done to dip its hands into its own pocket and tax itself.

Your obedient servant,

(Signed)

INEHA-SMIRTI,

Rocky Hill, Bombay (G).
3rd September 1947.

From

JAMNADAS M. MEHTA, Esq.,
M.A., LL.B. Bar-at-Law,
Municipal Councillor,
Bombay;

To

V. M. JOSHI, Esq., I.C.S.,
Secretary to the Bombay Municipal Finance Committee,
Bombay.

Re : Financial Assistance to the Municipal Corporation.

Dear Sir,

With reference to your letter No. 6797/33 dated the 12th August 1947 I have to say as follows :

2. At the outset I desire hereby, if I may, to convey to Government the thanks of the Corporation for appointing an Expert Committee for examining their claim to additional financial resources and to express the hope that as a result of this investigation the Corporation will receive adequate financial assistance which they have been asking for so long without success. Without such assistance the Corporation will be unable to carry out their duties and functions in an efficient manner and on an adequate scale and the burden of taxation on the city will continue to be unduly heavy.

3. The financial resources open to the Corporation under the Bombay Municipal Act of 1888 will be found stated in Chapter VIII of the Municipal Act. Our principal sources of income under the said Act are taxes and rates on the rateable value of properties within the Municipal limits. The rateable value of lands and buildings is determined under section 154 of the Municipal Act to which I respectfully invite the attention of the Committee. They yield about 50 per cent. of our income. Briefly stated we levy the following rates and taxes.

- (i) A General Tax leviable at 8 to 17 per cent.
- (ii) Halalkhore Tax at 3 per cent.
- (iii) Fire Tax at $\frac{1}{2}$ per cent.

The General Tax is now levied at 14 per cent. of the rental value of immoveable properties—whether land or buildings.

The Halalkhore Tax has all along been levied at 3 per cent.

The Fire Tax was levied at $\frac{1}{2}$ per cent. from 1922-23 to 1st October 1947 from which date it is proposed to raise it to $\frac{3}{4}$ per cent.

In addition the Corporation can levy water Tax at a rate to be determined by them. For domestic use in the Municipal limits, the rate was 3 per cent. before 1921; it is now levied at $3\frac{1}{2}$ per cent. of the rateable value of properties. Water is also supplied by meter measurement to Industries, Railways, Port Trust and to Government for sale in suburban area. The former brings an income of about 8 per cent. and the latter of about 16 per cent. of our gross revenue.

4. The Corporation are also empowered under the Act to impose Wheel Taxes, Town Duties and other rates, charges and fees. Our receipts from property and other taxes, rates, duties fees, charges interest on balances of revenue and on capital and special funds, etc., are over 99 per cent. of the total Municipal Income. We may therefore safely say that practically the whole expenditure of the Municipality for the various services rendered to the City is financed by taxation, rates, fees, etc. paid by the citizens themselves. The only financial assistance received by the Corporation from Government is a sum of Rs. 9.75 lakhs as grant-in-aid for Primary Education which works out at little more than $1\frac{1}{2}$ per cent. of our total receipts. This sum of Rs. 9.75 lakhs is much below the amount which Government had agreed to give under the agreement of 1917-18. The Corporation in their turn make a grant to Government of Rs. 35,000 per month for hospitals. In the end therefore the citizens of Bombay practically pay for the entire civic administration of the City although our services are utilised by both the Central and the Provincial Governments and by the suburban population with or even without a nominal payment if at all.

5. From the very beginning, the Municipal Corporation of Bombay have always paid their way. In order to make this City a modern town we have increased taxes whenever the interests of the City required. Our taxation per head of population in the year 1865 was barely Rs. 2-9-6 per year. It is now Rs. 30 per year or even more. Thus in a little over 80 years we have increased our taxation by as much as 1170 per cent. to meet the ever growing expenses. Municipal taxation in Bombay is probably the highest in all India. Part of this huge increase has been due to the expansion of civic services in the normal course; part has been due to a growing rise in price level; another part is due to the large influx of population; yet another to the capital and loan works schemes of development which have not been financial successes and have involved us in losses with heavy recurring interest and sinking fund charges. But probably the factor most responsible for the heavy incidence of Municipal taxation in Bombay is the policy of the Provincial Government which has denied us of some of our legitimate dues, have trenched on our sources of income and have appropriated them to provincial revenues instead of even sharing them with the Corporation as will be seen from paragraph 11. While our expenditure has increased our income has shrunk owing to the factors mentioned above. Finally during the war years, the rise in our income did not correspond to the rising cost of the revision of the grades of salaries of our staff; to the higher wages paid to labour; to the grant of Dearness Allowances. The tax on Urban Immoveable Property and the Rent Restriction Act further hampered the growth of Municipal income as the building of new houses in the City was discouraged by both these measures.

6. From the year 1888 till 1920—a period of over 30 years—the General Tax remained at 8 per cent. per annum of the rental value with an occasional increase of from half a per cent. to four per cent. These increases were due to the expansion of our services, to the additional expenses due to the outbreak of bubonic plague and to the contribution which we had to make to the Improvement Trust since 1899 and other reasons. Except for such unforeseen purposes, the General Tax was not increased during the period of 30 years between 1888 and 1920. The Corporation have sometimes imposed taxation in excess of their needs but never below. The Corporation has also been careful not to allow undue burdens on the Municipal tax payer. This careful control over taxation may be due to the preponderance of landlords in the Corporation or to the economic conscience of the City Fathers or to both. It is also sound finance that taxation must be just enough to meet the cost of administration. The tax payer is the real owner of a realized surplus which must either be used for relief in taxation or increase of services. The Corporation have scrupulously followed this wholesome practice until 1921. Since then our losses have entailed continuous heavy taxation.

7. From the year 1921-22 till 1944-45 a period of nearly 23 years—the General Tax was raised to 11 per cent. from 9½ per cent. except for two years when it was 12 per cent. This increase of 1½ per cent. took place after the First World War when development schemes were in the air everywhere and when the Government of India, the Provincial Government and the local bodies were persuaded to undertake vast schemes of development. It need hardly be added that this was done not so much for the benefit of this country as for keeping the factories in the United Kingdom working and its labour employed. Almost all these Development schemes were financial failure. To take only one example the Development scheme of the Government of Bombay has been pronounced by a high authority as a ghastly failure and has involved this Province in heavy losses. The various Municipal Development Schemes like Mahim, etc., have also resulted in an aggregate loss of about Rs. 2 crores, and have served to keep taxation high in the city.

8. From 1945 onwards on account of conditions created by the War and the growing expenditure under various heads particularly for revision of the grades of Municipal employees and the grant of Dearness Allowance to them we were obliged to increase our General Tax from 11 to 12 per cent. in 1945 and again from 12 to 14 per cent. in 1946.

9. While ready to impose fresh burdens on the City when necessary the Corporation have as stated before been over watchful and critical of any rise in expenditure; more than 22 years ago, under the advice of Sir M. Visveswaraya they cut down their expenditure by as much as Rs. 10 lakhs a year. But in spite of our readiness to bear heavier burdens when necessary and of the care which has been taken by the Corporation to prevent an undue rise in expenditure we have been obliged to live from hand to mouth for reasons already mentioned herein. The War has made further inroads into the resources of Municipal income while increasing their liabilities. On account of the shortage of material and labour and also the high cost of both and owing further to the imposition of the Urban Immovable Property Tax by Government it has become virtually impossible to build new houses in the City to cope with the normal requirements of housing in Bombay and with the enormous rush of population which has followed in the wake of the War the housing situation has become desparate beyond conception. The Rent Restriction Act which is really a blessing to the poor is a further impediment in the way of the expansion of Municipal income from the rateable value. The cost of running our hospitals has considerably gone up owing to the high prices of medicines, milk and diets. The high cost of repairing our existing roads and building new ones have compelled us to postpone and neglect even what is clearly essential. The resources lost to the Corporation on account of the withdrawals, denials and defaults of Government now amount to Rs. 1.50 crores a year. While our expenditure has grown particularly since the war by about Rs. 1.50 crores a year, leaving a gap of nearly 3 crores of rupees for balancing our Budgets. With continuous loss of the resources of the Corporation on the one hand and increasing cost of services on the other even with the same population the City would have found itself in a very embarrassing financial position. But when on account of the War the influx of additional population which has invaded the City to the extent of 90 per cent. of its pre-war population the strain on the Municipal finances has become intolerable.

10. I feel that the Committee's work will be simplified, the need of the Corporation for additional sources of revenue better appreciated and the quantum of assistance to be given by Government more easily determinable if the basic causes of our present difficulties are clearly stated. It will not therefore be out of place if even at the risk of some repetition I point out why these difficulties have arisen—why inspite of the Corporation having taxed the City up to the very limits of taxation open to them, why despite every attempt to check and control expenses we have found ourselves confronted with the spectre of deficit budgets for the last quarter of a century.

11. Full and careful investigation will disclose the following factors as being chiefly responsible :

(1) Withdrawal by Government of the sources of income which once belonged to the Corporation e.g. Tobacco.

(2) Government's default in refusing to pay their agreed share of the cost of primary education since 1924-25 and their failure to accept additional responsibility for primary education in other ways—although it is their obvious duty to do so.

(3) Government encroaching upon sources of revenue which are strictly within the sphere of Local Taxation—Urban Improveable Property Tax.

(4) Government refusing to share in receipts from certain duties, taxes, rates and fees to which the Corporation have a legitimate claim, e.g. betting tax, electricity duties, entertainment tax.

(5) Prevention by Government of a rise in Municipal Income by their Acts of Policy and measures of administration, e.g., Rent Restriction Act.

(6) Refusal by the Central and Provincial Governments to pay for services rendered to them and for using the amenities provided by the Corporation and living on the charity of the Tax Payer of this City if I may say so.

(7) Contribution of nearly 50 lakhs a year to meet the losses of the Improvement Trust.

12. The total loss up to date suffered by the Corporation as a result of Government's defaults delays denials and other acts of omission and commissions to the detriment of the Municipality is Rs. 16.45 crores with an annual growing loss of Rs. 1.50 crores. These losses have been worked

out in detail in the appendix attached herewith. It has not been possible to get official figures in all cases; in some cases the figures are available but not for all the years: no finality is therefore claimed for them and they are given subject to correction. They will however be found to be substantially correct.

13. The standard of civic services which the Corporation are required or permitted to render to the taxpayer under the Municipal Act has distinctly gone down in recent years both in scale and in efficiency. We have, therefore not only to make up for arrears now but to plan and provide for the future so as to be ahead of the times in regard to the standard of civic amenities in Bombay and that without delay.

14. I estimate that on the present level of our taxation the income for 1947-48 will be 6.0 crores and our expenditure Rs. 6.50 crores. Municipal services will even then continue to be below the standard like what they have been before, during and since the war, with the further difficulty that we shall be having recurring Budget deficits.

In order that the Corporation may be able to catch up with the arrears of civic amenities there should be a seven years plan of expansion so that at the end of seven years the Corporation will, in the words of His Worship the Mayor's letter to Government dated 11th October 1946, be in a position to show excellent results that will compare favourably with the best administered civic body in the world. The wiping out of arrears and the extension of amenities will run together.

15. It will not be possible to make sure where the arrears end and expansion begin. All services will be covered both on their revenue and capital sides.

The revenues expenditure will comprise the following services :—

							(In lakhs). Rs.
1.	Water Works	...	...	...	...	...	25
2.	Education	...	...	...	...	...	50
3.	Public Health	...	...	...	...	...	35
4.	Medical Relief and Education	...	...	...	...	...	105
5.	Street cleaning and Conservancy	...	...	...	...	...	35
6.	Roads Drainage and Sewerage	...	...	...	...	...	98
7.	Markets and Slaughter Houses	...	...	...	...	...	15
8.	Gardens and Open Spaces	...	...	...	...	...	10
9.	Milk Supply	...	...	...	...	...	175
10.	Increase of staff	...	...	...	...	...	90
11.	Debt charges	...	...	...	...	...	110
12.	Miscellaneous including lighting	...	...	...	...	...	35

16. The capital works programme will include the following services :

							(In crores). Rs.
1.	Office Accommodation	...	...	...	...	...	2.00
2.	School Buildings	...	...	...	...	...	1.20
3.	Houses for Essential Staff	...	...	...	...	...	2.00
4.	Water Works	...	...	...	...	...	6.30
5.	Drainage and Sewerage	...	...	...	...	...	1.00
6.	Road Construction	...	...	...	...	...	1.00
7.	Municipal Dairy	...	...	...	...	...	2.00
8.	Setbacks	...	...	...	...	...	1.20
9.	Miscellaneous	...	...	...	...	...	0.80

18.50

17. The loss of income suffered by the Corporation during the last twenty years and more owing to Government action or omission has amounted to over Rs. 16 crores by now. It is a recurring loss and goes on increasing year by year. At present we are losing about Rs. 1.50 crores each year. That is the principal cause of our difficulties and that is why the Corporation have been compelled to make insistent and equent appeals to Government for giving them fresh sources of revenue. It is obviously useless to expect Government to make good all the past losses. The amount is too big to start with and, besides, Government have their own difficulties. We have to let bygones be bygones and to see that as far as possible the future amends for the past. What we have really to do is to ensure that we are not exposed to the recurring annual losses hereafter and that Government makes some atonement for the past by treating us with justice and consideration in the future

I am therefore prepared to meet Government half way and even to commute some of our future claims. I propose that Government may be pleased to offer us the following assistance for the next seven years and to increase or decrease it in the light of the circumstances then existing :—

					(In Lakhs of rupees.)
1.	Grant in-aid for Primary Education	...	...	...	40
2.	Betting Tax, Entertainment Tax, Electricity petrol duty etc.	duties,	Motor	Toll,	100
3.	Subsidy for milk	...	...	...	25
				Total	165

Government can easily pay one crore from their income under 2 and the balance from the assignments of income tax and from the receipts from the Sale Tax from the City.

18. The political government of a country protects the life, limb and the property of its citizens while the Civic Government of a town, city or Corporation looks after its health, education amenities and even comforts. Tested in the light of this principle it must be admitted that there are several black spots on the otherwise admirable civic administration of our town. Ever since Bombay became an industrial city the existence and growth of slums, the inadequacy, impurity and costliness of milk supply, narrowness of its streets and the unhealthiness of its water have been notorious for being the potent sources of disease and death. Without pure water, clean homes, good roads and cheap good milk in sufficient quantity the health of a city generally and of its women and children in particular is bound to suffer. Cholera, Small-pox, other epidemics, Tuberculosis and infant mortality take a regular and heavy toll of human life. Regarding water, we have long ago removed its unhealthy contents and are now working hard to make the supply adequate and even generous if we can. The water problem can therefore be taken as being on the high road to solution although full implementation of our decision may take a period of ten years. The other three problems viz., of slums and of milk supply and the narrow streets still remain as far away from solution as ever.

19. Under slums I include dirty unhealthy areas, open spaces and residential places. So far as expenditure on slum clearance and better housing are concerned the solution can come more appropriately through the efforts we make under Budget B and a separate representation to the Committee will be necessary. But the clearance of slum areas of dirt and filth is a prime duty of the Corporation whether under Budget A or Budget B as any other Municipal service. The expenditure on this service will be more than compensated for by a better health bill in the City, a reduced infant and other mortality and less expenditure on curative medical measures.

20. The third and the milk supply question is however the toughest and has defied all attempts made so far for its solution. The place of milk in human diets need not be emphasised. In particular when as in Bombay a large part of the population are vegetarians by birth or by conviction milk must necessarily form a substantial part of their food. Milk is as near a perfect food as nature can make it and children under ten years and expectant and nursing mothers of all ages need a minimum of 16 ozs. of milk a day; all other adults require a minimum of 8 oz. a day.

21. In the city of Bombay we are far from working up to that ideal. The average amount of milk which we get per capita is not more than 12 ozs. per day, and as this includes all adults males and also the richer classes of all ages and sexes the actual daily supply of milk for lakhs of men, women and children must not be amounting even to an ounce per day per head, and for thousands no milk at all. In addition to this shortage, the milk available in Bombay is very costly. The reason of this expensiveness of milk lies in the conditions under which it is produced e.g. the housing of cattle, high prices of fodder, the difficulty of transport and generally the higher level of all other prices in a large industrial city like ours. In fact the price of milk in Bombay is double of the price of milk in London. In London moreover the public have at least the assurance that the milk they get is pure, in addition to being reasonable in price. In Bombay we have not even the assurance of purity. The production of milk is done under very insanitary conditions. Its transport is very unhygienic and its distribution is marked by indiscriminate adulteration. For all these reasons the milk supply of Bombay is most unsatisfactory. It has been said by a very high authority,—the Milk Expert who recently came to India from London Mr. Pepperall,—that the daily flow of the London sewerage was three times safer than Bombay's milk and this has been confirmed by the highest authority in the land. No solution of this scandalous state of things has so far been found.

22. The attempts that have been made have been feeble, few and far between and not frequently the vested interests in the milk trade in the City have made a successful dead set against any improvement. Not many years ago the then Commissioner Mr. Kirpalani, tried a moderate experiment to make cheap and good milk available in Bombay. It almost succeeded but not quite and in the attempt had to be abandoned for various reasons into which we need not go. The problem is therefore today as serious and acute as it ever was. Milk is at the bottom of good health and no Government or a local authority which ignores the supply of good cheap and adequate milk for the community an expert to have a clean bill of health. We must therefore now tackle the problem in

a most determined and serious manner without any delay whatever. I earnestly suggest that we should take up over 5 per cent. of the milk supply of the City as a Municipal enterprise. I estimate that for that purpose it will be necessary to invest a sum of one crore of rupees for the purchase of land, for the erection of necessary stables buildings and other structures and for the purchase of at least 2,000 buffaloes. In addition we will have to employ the necessary technical, scientific and other staff. The cost of producing this milk will be somewhere near Rs. 45 lakhs a year at present prices; it may become stable at Rs. 30 lakhs in future when prices of milk are brought down on account of our scheme. The production, distribution and overhead cost to the Municipality per day will be somewhere near Rs. 15 thousand and if we sell the milk at the reasonable rate of 8 annas per seer we shall require to pay a Municipal subsidy of at least Rs. 25 lakhs a year.

23. This cost might appear to be heavy. But the high rate infant and other mortality as well as the amount of human suffering and disease not to say the cost of maintaining dispensaries and hospitals for the treatment of diseases due to insufficient nourishment and the resulting weakness is I am sure much more expensive and costly than the sum of Rs. 25 lakhs a year. Reduced illness and better nutrition of the citizens will more than repay the cost involved. We can go on increasing our percentage of Municipal milk at the rate of 5 per cent. every alternate year for six years so that if at the end of that time we are able to be responsible for the supply of pure, cheap and good milk to the extent of 15 per cent. of the city's requirements, the milk interests will have been completely defeated. By keeping the prices down and making the milk clean along with other measures that may be taken for making an increasingly cheap fodder available for the cattle, for the prevention of slaughter of the milk giving animals and in other ways, the problem of milk supply of the City will be most satisfactorily solved at the end of seven years. It may not be out of place to state here that in Britain the Government has been paying on an average Rs. 3 per year per head of population on subsidising milk supply which means that it spends 14 crores of rupees a year for that purpose. If we adopt that average we will be spending about a crore of rupees per year for the City of Bombay. All that I am asking for is a subsidy of Rs. 25 lakhs a year. The interest and sinking fund charges for the capital of rupees one crore, will come out of the sale price of milk. The whole cost of the scheme must be found by Government and the Capital should be lent to us by them free of interest if necessary.

24. Finally I wish to make an earnest submission to the Committee for a speedier and more energetic acquisition of set-backs year after year to improve the health, safety and sanitation of the City. The present pace is much too slow. I know the limitations under which even notified setbacks can be acquired if at all, but whatever is within our reach under the law, must not be allowed to wait for want of funds. An annual expenditure of Rs. 15 lakhs on acquisition will I think be not too much. Before the war we were working at a figure nearly half of fifteen lakhs. The importance of wider and better roads and of greater space between residential houses is admitted on all hands, and this can be achieved sooner if our policy of acquisition of setbacks is watchful and energetic. As things stand today, the bottle-necks which the City's traffic has to face, the nasty corners which it has to negotiate and the greater risk to life and limb which it involves with fast growing population make it necessary that both on the grounds of health and safety of citizens, the pace of acquisition of setbacks ought to be quickened. The annual capital cost of Rs. 15 lakhs will amount in seven years to somewhere above 1.2 crores of rupees and the City will become brighter and healthier at a very moderate revenue cost of Rs. 6½ lakhs in seven years on interest and sinking fund charges.

25. I have now submitted for the consideration of the Committee what I regard a reasoned solution of the financial difficulties of the Corporation and I request that Government may be pleased to concede at an early date our demands to the full; the price level is an important factor in the calculation of the quantum of the assistance to be given but it will be unsafe to rely on reduction of prices in the near future; the danger of their increase is more real; nobody can say when and at what level the prices will stabilise; in any case the return of pre-war price level is out of the question. The Pay Commission has put the stabilisation at 170 against the pre-war 100. If and when that materialises our requirements will be reduced to some extent and we will have a sizable surplus; that eventuality is to be welcomed as enabling us for the first time after 25 years to give some relief to the Municipal tax payer who is now paying us about Rs. 30 per head per year. The high level of Property Taxes in Bombay is unsound from all points of view. They have the effect of discouraging the builder and increasing over-crowding which is now phenomenal; they are invariably passed on to the tenant who is already groaning under the burden of high rents and they have social repercussions—diminishing returns e.g. of an unhealthy character both moral and material. If therefore there is a chance of surplus accruing to us after a few years, we should be allowed to give some relief in rents and in the taxation through Town duties which are an impost on the food and other necessaries of life of the people and therefore wholly undesirable. I may add that since the war, the Corporation have imposed additional taxation to the tune of about one crore a year and it is time that we could cry a halt. I therefore request that the Committee will consider this submission sympathetically and announce the reliefs to be given as early as possible.

I have the honour to be,

Sir,

Your most obedient servant,

JAMNADAS MEHTA.

In lakhs of Rupees.

	Actuals.			Estimates.		
	1942-43	1943-44	1944-45	1945-46 (Revised)	1946-47 (Budget)	1947-48
(1) Betting Tax	24	66	109	94.5	99	100.9
(2) Entertainment Duty ...	21	46	82.5	90	82	85
(3) Electricity Duty ...	34.5	41	46	51	46	57.6
(4) Subvention from Control Road Fund (Petrol Duty)...	95	18.8	9.5	26.9	14	8.90
(5) Sales Tax on Motor Spirits ...	16.9	61	71	65	31	16
(6) Registration and license fees on Motor Vehicles ...	3.9	5.0	7.0	6.4	5.7	3.20
Up-to-date Total Loss						10.00

Crores.

Rs.

B. Figures for tax on transfer of Properties are not available. The estimated yield from this source was Rs. 12 lakhs in 1922-23	...	...	...	...	...	2.40
C. Schools Committees. Losses (Grant for Primary Education)	...	...	...	...	...	1.00
D. Tobacco Duty Losses	...	...	...	...	...	.25
E. Cotton Duties Losses	...	...	...	...	...	1.50
F. Loss on Tolls within the City	...	...	...	...	...	.20
G. Miscellaneous	...	...	...	...	...	1.00

Total ... 16.35
in crores.
Say Rs. 16.50 crores.

THE BOMBAY TENANTS ASSOCIATION

250, VITHALBHAI PATEL ROAD,
Bombay,

10th September 1947.

To

The Secretary,
Bombay Municipal Finances Committee,
Finance Department,
Bombay Castle, Bombay.

Re : Bombay Municipal Corporation,
Financial Assistance to—

Sir,

The Association received with thanks the circular letter No. 6797/33 on the above subject.

The Managing Board of the Association carefully went through the above subject and came to the following opinion thereon.

That the Government should advance loan to the Bombay Municipal Corporation at reasonable rate of interest.

- (1) To erect new houses for the accommodation of the poor and middle class tenants to be let out at reasonable and concessional rents in order to remove the scarcity of accommodation ;
- (2) To construct and maintain free hospitals for the poor and middle classes ;
- (3) To provide new play-grounds and to maintain the existing ones in good condition ;
- (4) To maintain free libraries.

The burden of these amenities should not be imposed upon the tenants.

Yours faithfully,

(Signed)

Hon. Secretary.

APPENDIX VII

No. 28 of 1948.

ADVOCATE GENERAL'S CHAMBERS:
HIGH COURT,

Bombay, 2nd June 1948.

Subject:—F. D. Reference—Levy of Town Duty on Petroleum by the Bombay Municipality.

Opinion.

Entry No. 32 in the List I in the 7th Schedule runs as follows:—"Petroleum and other liquids and substances declared by the Federal Law to be dangerously inflammable so far as regards possession storage and transport". The effect of imposing a town duty as a condition of import into the municipal limits does put a clog on transport. It imposes a condition affecting transport of petroleum from outside such limits into those limits. The reference to Entry No. 32 in the case of the "Lahore Municipality vs. Dolatram Kapur, 1942, Federal Court Report, page 31 has no direct bearing, but was made by way of a contrast to Entry No. 47 the Court opining that the limitation under Entry No. 32 assisted it in holding that there being no limitation in Entry No. 47 which referred to "Salt" that Entry must be taken to include every possible dealing with "Salt" including taxation. The reference to Entry No. 32 as also to Entry No. 31 was incidental, but it is clear that to the extent of the Entry it is completely comprehensive and the word "Transport" would include within it everything which affects it.

In my opinion the imposition of the proposed Town Duty would conflict with Entry No. 32 in the Federal List and would not be competent.

(Signed) C. K. DAPHTARY,
Advocate General.

APPENDIX VIII.

BUDGET "B".

Note on the forecast of income and expenditure.

(1) *Land—Rents etc. from.*—During the War, Military authorities occupied large areas of vacant land and there was accordingly a greater realisation from land on account of rents etc. The Military authorities have already vacated most of the areas and the income has fallen. It is not expected that there will be any increase in the income for the next three years. Thereafter, an increase of Rs. 50,000 per year is anticipated.

(2) *Municipal Contribution.*—The Municipality has been making out a case that the contribution should be stabilised at twice the net estimated realisation of the Corporation under General Tax divided by the rate fixed for the General Tax. It is assumed that this will ultimately be accepted. An annual increase in the rateable value of about Rs. 40 lacs has been assumed, though in view of the control of rents, non-increase in the building activity etc., it is problematic how far this will be realised, especially during the first five years.

(3) *Interest and Miscellaneous charges.*—The main portion of interest is realised on the investments of unspent balances in the Capital Account. As this money will be utilised for financing either Capital Works or for meeting deficits in Revenue Account, the interest realisation will gradually decrease and in course of time it is anticipated that the interest realisations will almost be negligible. Attention in this connection is invited to the last paragraph of the note also.

(4) *Expenditure—Maintenance of Properties including rates and taxes.*—During the War period the proper upkeep of properties had to be almost neglected owing to non-availability of materials. Now that the War is over, accumulated arrears of repairs have to be carried out even though the costs of material and labour are still high. Further, the cost of establishment has mounted up owing to the revision of grades etc. of Municipal employees. A slightly greater increase in the cost of maintenance of properties has been anticipated during the first few years.

(5) *Interest on Loans.*—The item of debt charges will be constant for the next 7 years. It is only in the year 1956 that a loan of Rs. 25 lacs carrying interest at 5 per cent. can be paid off. Thereby a saving of about Rs. 50,000 is expected. Similarly, 1957-59 loan of Rs. 40 lacs carrying interest at 5 per cent. can be repaid in November 1957 and a further saving effected. The debt charges shown in the forecast take into account the repayment of these loans.

No allowance, however, has been made in the forecast for any new loans. It is obvious that if the Improvement Schemes like Slum Clearance, construction of tenements for poorer classes, improvement of communications etc. have to be resumed, new loans will have to be floated; interest and sinking fund charges will have to be provided.

Schemes of slum clearance etc. which have already been prepared, had to be deferred to more propitious times. It is also anticipated that, for the first few years, the accumulated savings in the Capital Account can be drawn upon for carrying out Capital Works. Hence no provision for new loans has been shown in this, and in case any new loans are to be floated, the deficit will be correspondingly greater.

As regards other points on which information is required, the same is given as under:

- (i) *Total developed area.*—58.38 lacs sq. yds.
- (ii) *Portion of developed area, which has been sold outright and the proceeds realised.*
- (iii) *Developed area, which is leased on an annual basis and the income derived.*

No separate figures for (ii) and (iii) have been kept, but the total area that has been disposed of by way of premium as well as annual rental is 56.03 lacs sq. yds. An amount of Rs. 2,92,63,000 (from 1934-35) has been realised by way of premium and Rs. 32.27 lacs are being realised by way of rent.

- (iv) *Developed area remaining undisposed of—*
2.85 lacs sq. yds.

(v) *Undeveloped area.*—54.85 lacs sq. yds. inclusive of areas reserved for roads, gardens, playgrounds, etc. which is estimated at about 40 per cent. of the area.

- (vi) *Capital expenditure on items (ii) to (v).*—
Rs. 19,07.52 lacs (separate figures for each item are not available).

- (vii) *Estimates of ultimate income and expenditure—*
Please see the forecast.

Financial Forecast of Budget "B" for the next 10 years.

(1948-49 to 1958-59).

Year.	Income				Expenditure.			Deficit.
	Land.	Municipal Contribution.	Interest and Miscellaneous.	Total.	Maintenance of properties and streets.	Interest on Loans.	Total	
(Rs. in lacs.)								
1948-49 ...	58.33	32.	4.2	94.53	33.99	76.97	110.36	15.83
1949-50 ...	58.5	32.8	4.2	95.5	34.	76.97	110.97	15.47
1950-51	58.5	33.6	4.	96.1	34.5	76.97	111.47	15.37
1951-52 ...	58.5	34.4	3.5	96.4	35.	76.97	111.97	15.57
1952-53 ...	59.	35.2	3.	97.2	35.3	76.97	112.27	15.07
1953-54	59.5	36.	2.5	98.	35.6	76.97	112.57	14.57
1954-55 ...	60.	36.8	2.	98.8	35.9	76.97	112.87	14.07
1955-56 ...	60.5	37.6	1.5	99.6	36.2	76.97	113.17	13.57
1956-57 ...	61.	38.4	1.	100.4	36.5	76.47	112.97	12.57
1957-58 ...	61.5	39.2	0.5	101.2	36.5	75.5	112.	10.80
1958-59 ...	62.	40.	0.5	102.5	36.5	74.0	110.5	8.

Checked
2003-04

It will be seen that the average annual deficit for the next ten years is estimated to be about Rs. 2 crores and this is also the amount of the ultimate annual deficit. Therefore new sources of revenue are required which will yield additional revenue of Rs. 2 crores.

39. *Additional sources of revenue asked by the Municipality.*—To meet this deficit of two crores the Corporation has proposed that it should be granted the sources of revenue mentioned in paragraphs 50 and 50-A of its note. The Municipality proposes that Government should surrender entirely the proceeds of the Entertainment Tax and the Urban Immovable Property Tax collected from the City. In lieu of the latter the Municipality proposes to levy an Education cess at the rate of 5 per cent. of the rateable value. The share in the Entertainment Tax will yield Rs. 40 lakhs and the Education cess will yield Rs. 80 lakhs. The balance of the deficit is to be met by the Municipality being given a share in the Betting Tax, Electricity Duty, Transfer of Property Tax, and Tobacco Duty, by authorising the levy of a duty on petrol at the rate of 1 anna per gallon and by increasing the grant in lieu of tolls from Rs. 2,500 per year to Rs. 2½ lakhs. Besides, the Municipality has asked for a non-recurring grant of Rs. 1 crore for repairs to roads.

40. In justification for the non-recurring grant it is mentioned that the repairs to roads are necessitated mainly by the damage caused to them by Military traffic during the war and hence their cost of repairs should be borne either by the Provincial or the Central Government preferably the latter. Similarly some grounds have been given for asking for the increase in the Tolls grant. For justifying the grant of the other sources of revenue the Municipality claims that with the sources of revenue available to it at present there will be a gap of about Rs. 2 crores between income and expenditure, which has to be met somehow and this can appropriately be done by the grant of the above sources of revenue. Since the Municipal case thus rests on the occurrence of these deficits, it is necessary to examine these estimates very carefully.

41. *Capital Works Programme.*—The Municipality proposes to carry out during the next ten years a total Loan Works programme of Rs. 34 crores as under :—

	Rs. Crores.
Water Works	10·67
Drainage and Purification works	10·45
Building programme	8·94
Roads	4·07
	<hr/>
	34·13
	<hr/>

It is estimated that Rs. 2 crores will be spent in the first year and Rs. 3·20 crores in each subsequent year up to 1958-59. Debt charges are calculated at the rate of 6 per cent., the charges on the total amounting to Rs. 204 lakhs. The debt charges paid in 1947-48 on the existing debts amounted to Rs. 127 lakhs. Due to the repayment of some of the existing loans there will be a progressive reduction in these debt charges (see Appendix 9 to the note) amounting to Rs. 96 lakhs by 1958-59. The net ultimate increase in debt charges will thus be Rs. 108 lakhs and they will rise in 1958-59 to Rs. 235 lakhs.

42. *Borrowing Limit.*—It may be mentioned here that for carrying out the above capital works programme, the Municipality will have to borrow practically to the maximum limit permissible to it under law. Under clause (b) of section 109 of the Act the total Municipal debt cannot exceed twice the rateable value of property in the City. The Municipality has estimated that rateable value will go up to about 20 crores by 1958-59. (Foot note at page 28 of the note.) Out of the existing debt of Rs. 12½ crores about Rs. 4½ crores will remain outstanding at the end of 1958-59. The total debt will thus amount to Rs. 38½ crores which nearly equals the maximum permissible limit of Rs. 40 crores. In other words the programme proposed is a maximum programme. It may be curtailed, but it cannot be exceeded.

43. We may now turn to the Municipality's forecasts of income and expenditure. For making these it is necessary to make estimates of the following, viz. :—

- Normal income.
- Normal expenditure.
- Increase in debt charges.
- Revenue derived from capital works.
- Increase in yield of existing Taxes.

The deficit in any year will then be equal to the amount by which the sum of the second and third items exceeds the sum of the other items. This is apart from any extraordinary non-recurring items of income (as for example the utilisation of the balance in the post-war Reconstruction Fund) or expenditure which may occur in a particular year.

44. *Normal Income.*—The Municipality estimates the normal income to Rs. 595·5 lakhs. This is made up as under :—

	Rs. Lakhs.
Estimated yield of existing taxes	580
Theatre Tax	4·5
Profession Tax	7
Increased rates of vehicles tax	4
	595·5

45. *Normal Expenditure.*—The normal expenditure is estimated to be Rs. 731 lakhs as below :—

	Rs. Lakhs.
Basic expenditure based on the estimates of 1947-48	635
Ramesh Premchand Hospital	2·5
Election expenses	2·5
Primary education	15
Improvement to Roads	14
Improvement to lighting	10
Increase in staff	27
Milk scheme	25
	731·0

Thus according to the Municipality there is a gap of Rs. 135·5 lakhs between normal income and expenditure to start with which will be further increased as the debt charges mount up.

46. *Debt Charges.*—The increase in debt charges will be as shown in Appendix 9 to the Municipality's note. Starting from Rs. 11 lakhs it rises to Rs. 108 lakhs in 1958-59.

47. *Revenue derived from Capital Works.*—The capital works will begin to yield revenue from 1952-53 and this will rise from Rs. 5 lakhs to Rs. 47·5 lakhs in 1958-59.

48. *Increase in yield of Existing Taxes.*—As regards the yield from existing taxes the Municipality has not taken this into account for the reason given at page 26 of its note. If the reteable value rises to Rs. 20 crores as estimated by the Municipality the additional yield from property taxes will be (21½ per cent. of Rs. 3 crores) nearly Rs. 65 lakhs. The note however states that this amount will be absorbed in increased expenditure due to expansion of services and so leaves it out of account. In other words, the estimated total expenditure in 1958-59 may exceed the amount shown in the estimates by Rs. 67 lakhs.

49. The increase in debt charges over the yield from new capital works will amount in 1958-59 to Rs. 60·5 lakhs. This added to the normal gap of Rs. 135·5 lakhs gives the ultimate deficit of Rs. 196 lakhs. In the first few years the deficit should be in the neighbourhood of Rs. 135 lakhs. But the Municipality has allowed for a non-recurring expenditure of Rs. 150 lakhs in the first three years on account of Plant and Machinery and Revenue Works. This has added another Rs. 50 lakhs to the deficits in each of these years.

50. The justification for the omission of the increased yield of Property Taxes will be examined later.

51. The above is a brief analysis of the estimates made by the Municipality. We may now analyse similarly the estimates made by Government.

SECTION V.

GOVERNMENT'S CASE.

52. *Objections raised by Government.*—Before however proceeding to an examination of the estimates made by Government, it will be convenient to consider the objections levelled by the latter against the Municipality's estimates. These objections are as follows:—

(1) There are heavy arrears of taxes resulting in avoidable loss of revenue. The arrears in 1945-46 amounted to as much as Rs. 44 lakhs (paragraph 4 of the note).

(2) An increase of 1 per cent. in the rate of general tax led to an improvement of Rs. 21 lakhs in the collections of general tax from the public while an increase of 2 per cent. in the rate in the next year resulted in an increase of Rs. 25 lakhs only. This also indicates loss of revenue due to slackness of collection on the part of the Municipality and deliberate evasion on the part of the rate-payers.

(3) Programme of capital works proposed is too ambitious and is framed without due regard to the Corporation's financial resources or the feasibility of spending the amount.

(4) There is considerable extravagance in the expenditure of the Schools Committee and a substantial reduction in this expenditure is possible.

53. As regards the first objection it may be noted that loss in revenue is represented not by the arrears outstanding at the end of a year but by the amount written off as irrecoverable; so long as the arrears remain stationary and do not mount up, they do not indicate any loss in revenue. It simply means that part of the tax demand arising within a year is postponed till the next year but this is compensated for by the realisation of an equal amount from the previous year's arrears; and the net realisation within a year will on the average equal the net demand arising within the year. Thus even if there are no arrears and all the dues for a particular year are collected in that very year, that will not lead to an increase in normal income and thus will not affect the deficits which we are considering. For example in 1945-46, the total rateable value was Rs. 1,671 lakhs. 12 per cent. of this amounts to Rs. 200.6 lakhs. The exemptions from the tax to which certain properties are entitled under the Municipal Act amounted in the year to Rs. 12.9 lakhs. Thus the total demand arising in the year was therefore Rs. 188 lakhs as against which the actual collection was Rs. 183.5 lakhs showing a difference of Rs. 4½ lakhs only. Thus there is no material loss in revenue on this account.

54. Similarly as regards the second objection, the difference in the realisation of the tax is not solely due to the increase in the rate of the tax. It also depends upon the increase in rateable value and the collection of past arrears. The increase in rateable value may be large in one year and small in another. Also the recovery of past years may comparatively be greater in one year than in another. Therefore the conclusion drawn by Government in this respect does not seem to be warranted.

55. *Is the Post-War Reconstruction Programme Excessive.*—As regards the capital works programme, whether this is too ambitious, can be judged by comparing the proportion of the total income which will be consumed by the payment of the debt charges on the loans raised on account of the works, with the proportion obtaining

in normal years. In 1939-40 the total income was Rs. 347 lakhs while the debt charges amounted to Rs. 123 lakhs, that is to 35 per cent. of the total income. If the debt charges rise now to Rs. 235 lakhs and the income stabilises at about Rs. 750 lakhs the proportion will be 31 per cent.

56. At the same time the debt charges which the Bombay Municipality is paying at present are rather high as they are mostly on account of loans raised during the period following the First War when high rates of interest prevailed. The rates of interest on these loans are as high as 5 to 6 per cent. After making due allowance for this fact, it seems that a loan works programme which raises the total debt charges to about Rs. 2,00 lakhs may be regarded as quite reasonable. (The proportion of debt charges will then be 27 per cent. of the total income). Since the debt charges on existing loans will diminish to only Rs. 30 lakhs by 1958-59 the debt charges on new loans would amount to about Rs. 170 lakhs. Taking debt charges at $5\frac{1}{2}$ per cent. instead of at 6 per cent. (the reason for this will be explained later), this will enable a loan of Rs. 29 $\frac{1}{2}$ crores to be raised. Thus a capital works programme of about Rs. 30 crores would be a reasonable proposition.

57. Furthermore, the programme of capital works must also be judged in the light of essentiality and of maintaining a reasonable standard of amenities. With the tremendous growth in the population of the City most of the items of capital expenditure like extension of water works, drainage, etc., appear to be unavoidable, if not also urgent. The Committee, therefore, do not consider the capital programme as too ambitious. That, of course, does not imply that the whole capital programme is feasible particularly in the immediate future. Both the paucity and uncertainty of supplies of materials and the difficulties of transport may well result into the capital programme being spread over a longer period than anticipated or in any case the progress made in the earlier years would be much slower. We may conclude that the programme proposed by the Municipality though undoubtedly ambitious is not unduly so.

58. As regards Government's objection regarding expenditure on the Schools Committee, we are in agreement with Government (*see* Section VII).

59. We shall now proceed to an examination of Government's forecasts of income and expenditure.

60. *Normal Income.*—Government takes this to be Rs. 647.5 lakhs as against Rs. 595.5 lakhs estimated by the Corporation. The excess of Rs. 52 lakhs is obtained as follows :—

*As stated before the charges for water supplied to Mills had to be reduced temporarily as the result of a suit filed by the latter. This reduction is however temporary and when the rates are again raised they will yield an additional revenue of Rs. 20 lakhs. Then Government estimates that the Municipality will derive an income of Rs. 10 lakhs from the Bombay Electricity Supply and Tramway undertaking. Similarly Rs. 16 lakhs will be obtained by the levy of an Education cess on property at the rate of 1 per cent. of the rateable value. As regards the Profession Tax and the increase in the rates of Wheel Tax the yields of these are taken to be respectively Rs. 10 lakhs and Rs. 7 lakhs, i.e., more by Rs. 3 lakhs in each case than the Municipality's estimate. This accounts for the total excess of Rs. 52 lakhs.

61. *Normal Expenditure.*—Government's estimate is Rs. 715·5 lakhs. This is obtained as follows :—

	Rs. lakhs.
Budget estimate for 1948-49	627
Election expenses	2·5
Increase in expenditure on Primary Education	15
Milk scheme	25
Improvement of Roads	14
Improvement of Lighting	10
Augmentation of staff	27
<i>Deduct</i> —Reduction in maintenance charges	—5
	715·5

The last item represents the reduction in maintenance charges of roads, etc., which may be expected to result from the capital expenditure on them. Thus Government's estimate of the normal expenditure is less than the Municipality's by Rs. 15½ lakhs and the initial gap between normal income and expenditure is now reduced to Rs. 68 lakhs.

62. *Debt charges and Revenue from Capital Works.*—Government's estimates are the same as the Municipality's. Government also have calculated debt charges at 6 per cent.

63. *Increase in Yield of Existing Taxes.*—Under this head only an amount of Rs. 5 lakhs is shown. The basis on which this is done is not clear. Government has estimated that rateable value will appreciate by about Rs. 4 crores in the next 11 years which will give an increase of Rs. 56 lakhs in the yield of general tax at the rate of Rs. 5 lakhs per year. This however is a progressive rate of increase, i.e., the increase will be Rs. 5 lakhs in the first year, Rs. 10 lakhs in the second and so on rising to Rs. 56 lakhs in 1958-59. Government has however taken into account a net increase of Rs. 5 lakhs only. Another discrepancy is that the increase in rateable value will improve the yield of the other property taxes as well and this improvement has also to be taken into account.

64. Government has given its estimates for the first 5 years but on the basis of the above figures they can be constructed for the period up to 1958-59 and will be as shown below.

TABLE V.

	Rupees lakhs.										
	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
Income	... 664½	667½	667½	667½	667½	667½	675½	683½	694	697	700
Expenditure	... 724½	740½	783½	802½	814½	790½	788½	782	792	809	824
Deficit	... 60	73	116	135	147	123	113	98½	98	112	124

(The incomes after the 5th year are calculated by adding to the normal income Rs. 5 lakhs on account of increased yield of general tax and the revenue derived

from capital works as shown in Appendix 6 of the Municipality's notes : and the figures of expenditure by adding the net debt charges shown in Appendix 9 of that note to the normal expenditure.)

65. It will thus be seen that according to Government's method of estimating the ultimate annual deficit will be Rs. 124 lakhs. Government in their note have split up the deficit into two parts. The division is of course more or less artificial. One part equal to Rs. 44·5 lakhs is shown as the deficit in ordinary expenditure and the balance is stated to be the deficit in the Post-War Reconstruction budget. The latter deficits (i.e. total deficit *minus* Rs. 44·5 lakhs) for the first 5 years add up to Rs. 3 crores and the conclusion is drawn that a subvention of this amount will enable the Municipality to carry out the capital works programme of Rs. 14·8 crores during the first 5 years. (Clause 6 of paragraph 20 of Government's note.) This at first sight gives the impression that the Corporation can incur capital expenditure of Rs. 11·8 crores from its own resources and that it requires only a non-recurring grant of Rs. 3 crores for completing the programme. This impression is of course incorrect. The amount of Rs. 3 crores will be used not for meeting a part of the expenditure on the works but for meeting the debt charges on the loans raised for the works, in other words to meet a recurrent item of expenditure. Even after giving Rs. 3 crores for the first 5 years there will be a gap in the Post-War Reconstruction budget of about Rs. 80 lakhs in the 6th year and this gap will persist thereafter. Thus on the basis of Government's estimates the ultimate deficit will amount to Rs. 1½ crores.

66. Another point raised by Government is that dearness allowance is a temporary item of expenditure which may disappear in course of time and this will reduce the deficit by Rs. 98 lakhs, which is the expenditure on dearness allowance in 1947-48. We shall examine this point in the next section.

67. We may now proceed to frame our own estimates of Municipal income and expenditure.

SECTION VI.

COMMITTEE'S ESTIMATES.

68. We shall first examine in greater detail the following points, viz., (i) improvement in the yield of Property Taxes, (ii) the rate at which debt charges should be calculated, and (iii) the additional revenue which would be derived by an increase in a restoration of the meter rates for water supplied to the Mills and the Race-Course.

69. *Improvement in the yield of Property Taxes.*—As we have seen before, the Corporation has omitted to make any allowance for this increase on the ground that any increase which occurs will be absorbed entirely by the increased expenditure on account of expansion of services. Government while intending to allow for the increase have not made the correct allowance.

70. On the other hand Government have contended that the expenditure incurred on the payment of dearness allowance amounting to about one crore is a temporary item of expenditure which will disappear in course of time and that this will reduce the ultimate deficit by one crore and may even convert it into a surplus. Accordingly the Municipality does not require any additional revenue on a permanent basis. All that it needs is temporary aid to tide over the present period of financial stringency, the aid being continued only as long as the payment of dearness allowance continues.

71. We cannot accept Government's view that dearness allowance is a temporary factor and will disappear in course of time and this is particularly so in view of the fact that our recommendations are primarily based on our estimates of the income and expenditure of the Municipality for the next five years. As a matter of fact, we fear that the continued increase in the cost of living during the last few months may well necessitate revision of dearness allowance which would throw an additional burden on the Municipal budget. In our final recommendations this possibility has been kept in view and we have therefore recommended a larger addition to the existing income of the Municipality than justified by the existing requirements of Municipal expenditure thus providing flexibility to enable the Municipality to bear the additional burden of increased dearness allowance which appears to us to be more than probable. On the other hand, we consider that the increased yield of Property Taxes should be taken into account in estimating future incomes.

72. The Municipality has estimated that rateable value will rise to about Rs. 20 crores. As the rateable value in 1946-47 is Rs. 17.14 crores, this means an increase of Rs. 286 lakhs, i.e., an increase at the annual rate of Rs. 23.8 lakhs. On the other hand Government's estimate is that rateable value will rise to Rs. 21 crores. This will mean an increase of Rs. 386 lakhs in 12 years, i.e., at an average rate of Rs. 32.2 lakhs per year.

73. The graph on the next page shows the variation of rateable value during the last 50 years. It will be seen that the rate of increase has varied from time to time. During the period from 1916 to 1926, rateable value increased at an average rate of Rs. 64 lakhs per year, while during the period of depression (1926-36) the rate of increase amounted only to Rs. 9½ lakhs per year. During the quinquennium 1936 to 1941, the rate of increase was Rs. 19 lakhs per year, while the average rate of increase after that year has been Rs. 60 lakhs. The average rate of increase for the whole period of 50 years comes to Rs. 32 lakhs per year.